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THE AFRICAN REINSURER

A PUBLICATION OF THE AFRICAN REINSURANCE CORPORATION

- EDITORIAL
- INSURANCE & REINSURANCE
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- MARKET PRESENTATION

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Société Africaine de Réassurance

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40th Edition, September 2026 Launched in 1987

Dr Corneille KAREKEZI
Editor-in-Chief

It is my pleasure to present the 40th edition of The African Reinsurer. This year marks a significant milestone as we commemorate the first 50 years of our pan-African institution, Africa Re. We also celebrate nearly 4 decades of The African Reinsurer, a forum for insurance professionals across the continent, which was first published in 1987. These milestones provide an opportunity to reflect on our shared journey, acknowledge the achievements that have shaped our industry, and look ahead to the opportunities and challenges that will define its future.

Accordingly, in honour of this special occasion, this anniversary edition features a rich and extensive collection of articles.

The first paper is on the impact of inflation and exchange rate volatility on the African insurance sector. The importance of this issue cannot be overstated. The author examines it in great detail and offers useful suggestions on how the African insurance sector could respond to the challenge. The magazine also features two articles on digital transformation in the insurance sector. For an industry that has for long been defined by low penetration, digital platforms are vital as they would drive financial inclusion, necessary for the growth and expansion of the industry. Also included is an article on the significance of Parametric insurance. This insurance instrument is critical for farmers, communities and countries that face climate risk. The author rightly observes that parametric insurance would remain an essential component of climate resilience frameworks.

An all-important issue on ethics has been discussed namely, the need for confidentiality in handling the information provided by policyholders. This is ever so critical in the relationship between the insurer and policyholder. The Authors have examined the subject in detail and submit that, safeguarding trust is in fact the foundation of the future of insurance.

The importance of artificial intelligence in talent management features in the magazine. It is expected that AI would ultimately redefine talent management by ensuring that organizations engage the right talent, reskill their employees and correctly identify skills that would be required for the evolving digital economy.

Getting an organization to learn. The author argues that this issue has become so critical as organizations navigate the fast-paced digital economy, with all its challenges. In this connection, staff have a great role to play as their ingenuity, if well harnessed and deployed, could lead to best practices required by their employers to efficiently manage their businesses. Africa Re's 'bottom-up inclusive' approach to organizational learning is quite unique and worth considering.

The magazine discusses the implementation of the IFRS 17 in the MENA countries. The new accounting Standard which replaces IFRS 4 is expected to overhaul the financial profile of the insurance markets, and align their operations with the global reporting standard. The second paper on IFRS 17 highlights the fundamental shift in insurance accounting, as a consequence of the new Standard. This shift significantly changes how the performance of the industry is measured and monitored. There is thus a gap that needs to be properly understood and bridged. The Author addresses this key issue, and specifically calls for the involvement of Actuaries.

Finally, the magazine features an article on the Angolan Insurance market. The author notes that, although the market is small, it holds potential for expansion, and attraction for investors, as it is under-penetrated and still maturing.

We hope readers will find these articles both useful and informative, and that they will stimulate further discussion and exchange of ideas—an engagement we would greatly welcome. The African Reinsurer would continue to inform and connect us and, together, we say happy 50th Anniversary celebration to Africa Re.

The Impact of Exchange Rates and Inflation on the African Insurance Industry

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1.0 Introduction

Inflation and exchange rates are inevitably connected. Inflation, commonly defined as "the persistent rise in the average level of prices in a country,"[1] is not a new phenomenon. One of the most severe episodes known in history occurred in Germany between 1921 and 1923, where the mark depreciated to 4.2trillion against the United States dollar. Turning to Africa, Zimbabwe experienced multiple hyper-inflationary crises, with the peak rate reaching 635.31% in 2024 according to the IMF, ranking highest globally, followed by Sudan at 229.8% and South Sudan at 120.6%[2]. As inflation rises, the purchasing power of a currency declines, often giving rise to exchange rate risk, which Eric Huttman describes as, "the risk that a business' financial performance or financial position will be impacted by changes in the exchange rates between currencies."[3]

Inflation is therefore widely regarded as an undesirable economic condition, as it disrupts exchange rates, foreign trade[4], aggregate purchasing power, business profitability, and the strategic planning of both private and public institutions. Similarly, exchange rates are viewed as a pivotal indicator of a country's economic health, reflecting its competitiveness to foreign investors, and overall economic stability and as such, fluctuations have profound implications on trade, investment, and overall economic performance.[5]

This paper examines the impact of inflation and exchange rate volatility on the African insurance sector and explores the responses available, drawing on macro-economic developments in recent years.

2.0 Overview of the Macroeconomic Environment

The global economy has historically endured significant disruptions, ranging from world wars to financial crises, natural disasters, pandemics, and most recently, heightened geopolitical tensions. Current projections indicate that global growth is slowing, albeit unevenly across regions, with world output

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1 *Economics and Business, Chartered Insurance Institute 2013, pg.6/14*

2 *Zim 635% annual inflation rate topped global charts in 2024: IMF -Newsday Zimbabwe*

3 *How Can Insurance Companies Manage Foreign Exchange (FX) Risks?*

4 *Economics and Business, Chartered Insurance Institute 2013, pg.6/17*

5 *Exploring the impact of economic factors on exchange rate fluctuations in Nigeria IJIFER-D-5-2024.pdf*

expected to reach 2.7% in 2026, which is below the pre-pandemic average of 3.2% according to United Nations Trade & Development (UNCTAD)[6]. Global Inflation is expected to decline modestly, from 3.4% in 2025 to 3.1% in 2026; however, persistently high prices continue to erode household incomes.[7] Financial markets remain under pressure, adjusting to uncertain and often contradictory policy signals[8], compounded by escalating trade frictions, following the imposition of tariff levels unseen in decades, by the United States in April 2025.

According to the United Nations Economic Report on Africa (2025), African economies have faced considerable challenges in the post-Covid-19 period, particularly in managing high public debt, elevated interest rates, and rising public expenditure needs. Africa's export profile continues to be dominated by primary commodities- fuels (40%), ores and metals (15%), leaving the region highly vulnerable to fluctuations in global demand.[9] Despite these headwinds, Africa's GDP is projected to expand by 4.3% in 2026, while inflation is expected to ease to 10.3% from an average of 13.7% in 2025. This moderation is supported by strengthened domestic currencies in some countries, reflecting tightened fiscal policy aimed at averting sovereign default.[10] Nonetheless, consumer price inflation remains relentlessly high across several African countries, driven by elevated food prices linked to demand and supply imbalances, currency depreciation[11], structural weaknesses and climate-related shocks.

3.0 Impact on the Insurance Industry

Inflation and exchange rate volatility, leading to currency depreciation, not only strain economies at large, but also directly challenge the insurance industry, a critical pillar of risk management within the economy. Rising claims costs, eroding premium adequacy and currency- driven increases in imported inputs and reinsurance costs undermine insurer profitability and capital strength, making the sector particularly vulnerable to sustained macroeconomic pressures.

3.1 Affordability and the coverage gap

Peter Gratton emphasizes that an economy's financial health is closely tied to inflation and exchange rates[12]. When a country's currency depreciates, it loses value against other currencies, driving up the price of imported goods – a burden ultimately passed on to consumers through higher prices. This phenomenon, known as the pass-through effect, directly influences affordability. As inflation erodes disposable income, price becomes a critical factor in consumers' decisions to purchase goods and services including insurance. A 2024 GlobalData survey noted that 67.5% of consumers surveyed globally rated price as the most important consideration influencing their purchase decision.[13] In practice, many consumers are compelled to buy only the minimum coverage, or restrict themselves to compulsory policies, just to meet legal requirements. Rising insurance costs often lead to policy cancellations and lapses, widening the coverage gap, reducing written premiums, and lowering penetration rates due to reduction in demand.

3.2 Pricing Adequacy

For insurers, policies must be priced appropriately to reflect the assumed risk burden. In environments characterised by high inflation and weak currencies, inadequate premium adjustments can be detrimental, eroding profitability and solvency. Inflation heightens the need for frequent premium revisions and complicates the pricing of long-term contracts, as future claims costs become difficult to predict. The challenge is particularly pronounced for Life insurers, who manage

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6 *World Economic Situation and Prospects 2026, World Economic Situation and Prospects 2026 | UN Trade and Development (UNCTAD)*

7 *World Economic Situation and Prospects 2026, World Economic Situation and Prospects 2026 | UN Trade and Development (UNCTAD)*

8 *GlobalData, Global Risk Report, Q1 and Q3 2025 Updates*

9 *United Nations Economic Report on Africa 2025, pg. 6, published by the Economic Commission for Africa*

10 *Africa's Macroeconomic performance and Outlook Update, Nov 2025 African Development Bank forecasts improved growth for Africa, driven by buoyant private consumption spending, accommodative monetary policy and a weaker US dollar*

11 *United Nations Economic Report on Africa 2025, pg. 16, published by the Economic Commission for Africa*

12 *How Does Inflation Affect the Exchange Rate Between Two Nations?*

13 *GlobalData's 2024 Emerging Trends Insurance Consumer Survey*

long-duration contracts that may take decades to mature. For products with fixed nominal premiums and benefits, higher-than- assumed inflation can undermine premium adequacy through rising expense levels. However, from the policyholder's perspective, the erosion of the real value of the sum assured is often the more salient concern, which may reduce the perceived value of cover and ultimately increase lapse or discontinuance rates.

The consequences of weak pricing amid elevated inflation are evident in industry performance. In 2022, global Non-Life insurance grew by only 0.5%, well below the ten-year average of 3.6%, reflecting insufficient pricing in personal lines and persistent inflationary pressures.[14] Underestimating inflation in pricing not only undermines short-term profitability but also constrains sustained premium growth. According to the 2023 African Insurance Organisation (AIO) Report[15], the African insurance industry experienced a 2.6% decline in inflation-adjusted premiums, with total premiums falling to USD70.2billion in 2022 from USD73.3billion in 2021. This contraction was driven primarily by a slow-down in South Africa, the continent's largest insurance market, where cumulative premiums declined by 7.9%. Insurance penetration in Africa also fell to 2.4% in 2022 from 2.7% the previous year, measured as premiums relative to GDP. Insurers must therefore strike a delicate balance between competitive pricing and profitability to sustain growth and retain customers.

Beyond pricing challenges, inflation and currency volatility also exert significant pressure on claims costs and underwriting performance, reshaping how insurers manage risk and maintain financial stability.

3.3 Claims costs and expenses

Claims and expense inflation are primarily driven by movements in the price of goods and services associated with the settlement of potential insured claims. Propelled by rising material and repair costs, wage pressures, escalating medical expenses and evolving judicial decisions, claims inflation may be defined as the increase in claims incurred over a specified period due to inflationary forces.[16] In March 2023, Swiss Re estimated that inflation would lead to a 5% - 7.5% increase in Property and Casualty claims payments across five key markets, between 2022 and 2023.[17]

Insurers in Africa experienced similar, and in many cases more pronounced, cost pressures as elevated inflation, driven by macroeconomic shocks, pushed claims inflation into double-digit territory in the aftermath of the COVID-19 pandemic, the Russia-Ukraine war, and later the disruptions in the Gulf of Aden and the Red Sea that adversely affected global shipping. These inflationary pressures were further compounded by exchange rate volatility, which significantly increased the local-currency cost of imported inputs across the insurance value chain. The cost of motor vehicle spare parts, construction materials and specialist equipment rose sharply as supply chain disruptions collided with sustained currency weakness, particularly affecting motor and property portfolios which are highly sensitive to imported cost components. This can be further exacerbated by the difficulty of promptly offsetting rising claims fully through premium adjustments, given pricing lags, coupled with extended indemnity and repair periods which lengthen the duration of open claims thereby amplifying the ultimate costs. Many insurers recorded a marked deterioration in loss ratios in 2022 and 2023, as claims costs exceeded the initial provisions, leading to erosion of underwriting margins on insurers' balance sheets.

3.4 Reserving

Inflation places significant pressure on actuarial assumptions, directly affecting the valuation of current and future liabilities as claims costs rise faster than anticipated. Inadequate reserving exposes insurers to solvency risks, particularly when assumptions fail to capture the full impact of sustained price increases. For both Non-Life and Life insurance policies, especially

14 Sigma No3/2023, World Insurance: stirred and not shaken

15 2023_AIO_e_Web.pdf, pg 5

*16 EIOPA, *Impact of inflation on the insurance sector*

17 https://www.reinsurancene.ws/pc-claims-growth-to-ease-as-inflation-moderates-swiss-re/

those with inflation linked benefits, insurers must carefully align liabilities with invested assets, ensuring that reserves remain sufficient to meet future obligations and protect long-term financial stability.

3.5 Investments

Insurance is a liability- driven business whereby the duration of commitments and coverage offered to policyholders shape the asset allocation of the undertakings and their sensitivity to changes in inflation and subsequently, interest rates.[18] Premiums collected are invested to meet future liabilities, yet most African market insurers hold a significant portion of their investment portfolios in cash and fixed income securities such as bonds.[19] Inflation erodes the real value of these assets and compresses investment returns, creating asset liability mismatches when yields fail to keep pace with rising claim costs. For products with long-term commitments, such as annuities, policyholders risk losing the real value of benefits accumulated over years. Additionally, insurers must manage re-investment risks associated with handling long-term liabilities as asset durations are comparably much shorter than the liabilities such that they risk losing value at the maturity of the assets, if they are forced to reinvest at lower returns due to ruling market conditions.

Exchange rate volatility compounds the challenge as currency depreciation can exacerbate asset–liability mismatches where liabilities or reinsurance obligations are denominated in hard currency, placing additional pressure on capital adequacy. Further, currency depreciation undermines investment earnings and complicates asset allocation decisions particularly in markets where hedging instruments are limited. A study done by Chukwu and Okeke[20] highlights that Nigerian insurers face restricted capacity to manage exchange rate swings due to the absence of robust hedging mechanisms. Depreciation of the naira against major currencies such as the United States dollar has had severe consequences. In February 2024, the Nigerian naira depreciated by 68% compared to May 2023, driven by surging demand for foreign currency,[21] while inflation peaked at 33.2% in the same year, spurred by exchange rate corrections and removal of fuel subsidies.

3.6 Transaction risk

Transaction risk refers to the risk of exchange rate shifts between initiation of a transaction and its eventual settlement. In markets where policyholders are permitted to pay premiums in instalments, delayed or missed payments can heighten this risk. GlobalData cites that globally, one in seven customers lagged on payments in 2024, and out of the countries surveyed, this was more pronounced in South Africa where rising economic pressures and premium increases heightened affordability challenges.[22] As insurers contend with delayed premium receipts, they are exposed to not only cash flow strain but also heightened transaction risk, especially in environments characterised by high inflation and currency volatility. The exposure is amplified where insurance contracts are denominated in a foreign currency as a means of mitigating domestic inflation risk. In such cases, exchange rate movements between the premium due date and actual settlement can materially affect the value of receipts in local currency terms. Furthermore, where remittances to reinsurers and claims recoveries are denominated in hard currency, the depreciation of the insurer's domestic currency against the transaction currency increases the local- currency cost of the reinsurer remittances or claims at the point of payment, potentially exceeding budgeted provisions, and placing additional pressure on profit margins and capital. Likewise, subsidiaries of group companies may also face similar challenges where their share of group management expenses or group investments for example, are remitted in foreign currency.

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[18] *EIOPA, *Impact of inflation on the insurance sector*

[19] *2023_AIO_e_Web.pdf, pg 61*

[20] *Chukwu & Okeke 2022, quoted in a study: Assessment of the impact of exchange rate volatility on international insurance transactions in Nigeria ASSESSMENT OF THE IMPACT OF EXCHANGE RATE VOLATILITY ON INTERNATIONAL INSURANCE TRANSACTIONS IN NIGERIA (A CASE STUDY OF LEADWAY ASSURANCE COMPANY)*

[21] *Naira loses 68% of its value in the official market since FX unification policy - Nairametrics*

[22] *Insurance inflation 'a direct reason' for consumers cancelling policies - Life Insurance International*

3.7 Translation risk

Translation risk arises when companies prepare financial statements in a currency different from that of their underlying operations. Many insurers operate across multiple jurisdictions and are required by parent companies to consolidate financial results in a single reporting currency. Exchange rates are inherently sensitive to macroeconomic shocks, including shifts in relative business cycle positions, monetary policy stances, and elevated sovereign risk. In the African context where several economies are already grappling with high debt burdens, changing investor expectations can trigger pronounced exchange rate volatility. As a result, insurers may incur translation losses on their balance sheets when the financial results of otherwise profitable subsidiaries are converted into stronger reporting currency. Persistent currency depreciation and episodes of devaluation across several African markets have amplified this risk. Reporting in hard currency such as the United States dollar or euro can therefore lead to volatility in reported revenues, equity, and profit margins, even where underlying operational performance remains sound.

Conversely, currency appreciation can partially offset translation risk by improving financial results when local currency earnings are converted into a stronger reporting currency. This dynamic was evident in Kenya following a period of sharp depreciation between 2023 and early January 2024. The Kenyan shilling, which had weakened to KES162 to the US dollar in January 2024, subsequently appreciated by about 16% to about KES129 to the US dollar, within the same year. As of April 2024, the World Bank Pulse report identified the Kenyan shilling as the best performing currency in sub-Saharan Africa. The appreciation was driven largely by tighter monetary policy implemented by the Central Bank of Kenya and partial settlement of the country's Eurobond, which alleviated default concerns and improved market sentiment.[23] For industry players with Kenyan operations reporting in hard currencies, such currency movements can enhance translated revenues and mitigate earnings volatility, even where underlying operational performance remains unchanged.

3.8 Erosion of asset values

Beyond the pressures faced by insurers, inflation and currency depreciation also have direct consequences for policyholders, shaping the real value of coverage and influencing perceptions of insurance as a reliable safeguard. The real value of insurance policies is often eroded, exposing consumers to the risk of underinsurance. When policyholders fail to adjust coverage to reflect depreciating currency values, they may be disadvantaged at the time of loss, as the benefits received fall short of expectations at purchase. Beyond individual outcomes, the inability of consumers to derive meaningful value from their policies can have broader repercussions, undermining confidence in the insurance industry and damaging its reputation as a reliable mechanism for financial protection.

4.0 Responses to the challenges posed by inflation and exchange rate volatility

Having examined the pressures of inflation and currency volatility on pricing, claims costs, reserving, investments, and insured asset values, it is imperative to briefly highlight the strategic responses insurers can adopt to safeguard profitability, maintain solvency and preserve consumer confidence.

To withstand the pressures of inflation and exchange rate volatility, insurers must adopt proactive and integrated strategies that reinforce both technical resilience and financial stability.

4.1 Pricing and coverage design

Risk adequate pricing forms the foundation of sound underwriting and helps alleviate pressure during economic shock cycles. Dynamic pricing models enable insurers to respond swiftly to rising inflation and shifting economic conditions by proactively adjusting premiums while remaining sensitive to market realities to avoid pricing themselves out of business.

Data is a critical enabler of optimized pricing. By harnessing advanced analytics, insurers can better align premiums with actual exposure, improve claims management, and enhance overall risk assessment.

[23] *World Bank: Why Kenya Shilling is best performing currency in Sub-Saharan Africa*

In hyper-inflationary environments, more frequent repricing cycles may be required to maintain optimal pricing levels. Robust models are therefore essential to balance competitiveness with sustainability.

Although African markets continue to resist the adoption of telematics particularly in motor insurance, technology uptake across other sectors is accelerating. Telematics may not directly offset the impact of inflation, yet insurers must adapt to these trends to avoid obsolescence, and to leverage innovations that can refine pricing accuracy.

Coverage design also plays a vital role in mitigating inflationary pressures. Incorporating adjustment features such as indexation ensures that policy benefits remain aligned with rising costs of living.[24] Similarly, sunset clauses can shorten liability durations in insurance contracts thereby reducing exposure to prolonged inflationary risk.

4.2 Operational efficiency

Enhancing operational efficiency is critical to mitigating the impact of inflation and currency volatility on insurers' cost structures. Automated and streamlined processes help minimise expenses, ensuring that rising input costs do not erode profitability. If left unchecked, expenses tend to surge in inflationary environments and when combined with currency depreciation, the overall cost of running the business can escalate significantly. Digitisation offers a powerful lever to reduce cost ratios and improve profitability. By adopting digital tools and platforms, insurers can optimise workflows, enhance customer service, and achieve greater scalability, thereby strengthening resilience against macroeconomic pressures.

4.3 Risk management processes

Effective risk management requires continuous evaluation of financial stability and the application of stress tests across varying inflation scenarios to assess the organisation's capacity to withstand inflation shocks.[25] Regular review and timely adjustment of reserves to reflect expected future claim costs to ensure that liabilities remain adequately covered and solvency is preserved cannot be overemphasized.

Strong governance and regulatory oversight further reinforce these processes. Boards and regulators play a pivotal role in ensuring that insurers maintain adequate solvency capital requirements, embedding resilience into the organisation's risk management framework. By aligning internal practices with regulatory standards, insurers can safeguard both policyholder protection and long term financial stability.

4.4 Investment strategy

Insurers must adopt investment strategies that protect against both inflationary pressures and exchange rate volatility. Diversification remains a cornerstone of stability, enabling smoothing of earnings and minimised volatility[26] through a balanced mix of assets such as equities, inflation- linked bonds, real estate, and commodities.

For insurers operating across multiple jurisdictions or holding foreign-currency denominated assets, hedging is an essential tool to mitigate the impact of currency fluctuations on cash flows and financial results. Currency hedging typically employs instruments such as forward contracts, options, and swaps. The benefits include stabilising cashflows by locking in exchange rates for future transactions, safeguarding profits, and investment values from adverse currency movements, and enhancing competitiveness by passing pricing stability on to consumers rather than reacting to market swings.

However, hedging strategies also carry inherent risks, including basis, liquidity and counterparty risks. Insurers must fully understand these exposures and ensure such hedging strategies are supported by robust investment governance frameworks and engagement with reputable counterparties.[27] A disciplined approach

[24] *Shock to the system: Insurance's role in absorbing the impact of inflation*

[25] *Navigating inflation in the insurance industry Navigating Inflation in the Insurance Industry | Accelerant Risk Exchange*

[26] *Ibisomi & Zongo, High and Lasting Inflation: Investment strategy options for insurance companies in a low-interest rate environment, The African Reinsurer, June 2024, Vol. 38*

[27] *Matt Woodley, Currency Hedging: Definition, Strategies, Types, Benefits & Risks*

to investment and risk management is therefore critical to preserving solvency and sustaining long term profitability in volatile economic environments. One commonly applied approach is natural currency hedging whereby assets are held to match liabilities in their underlying currencies thereby reducing foreign exchange risk, while surplus assets are managed in line with the insurer's overall risk appetite and capital objectives, often in the reporting currency.

5.0 Conclusion

The operational environment for insurers is constantly evolving, presenting risks that demand either adaptation or the consequences of falling behind. Inflation and exchange rate volatility are deeply interconnected, and their combined effects permeate every facet of the insurance business. Effective responses must therefore be holistic and firmly embedded within the organisation's risk management framework, as these pressures can impede performance across the technical domains of underwriting and claims management as well as the financial dimensions of reserving and investments. Ultimately, the resilience of the insurance industry will depend on its ability to integrate adaptive strategies that not only safeguard policyholders but also reinforce the stability of the wider economy in the face of persistent inflationary and currency pressures.

The Impact of Digital Transformation and the Rise of the Digital Economy on the Insurance Sector in Africa

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1.0 Introduction

Across the globe, digital transformation and the rise of the digital economy are currently reshaping economies. In Africa , these forces are accelerating change across all sectors. The insurance sector, which is at a decisive turning point, is set to undergo a profound transformation.

Indeed, for some fifty years, Africa has been seeking the ideal formula to significantly increase its insurance penetration rate. Despite notable progress, this rate remains low, at around 2.6[1]% in 2025, well below the global average of 6.8%[2].

To speed up its transformation, the insurance sector is now harnessing digital technologies and the digital economy to bridge gaps in accessibility, affordability and efficiency. These changes are not only technological but also structural, redefining the way insurers interact with their customers and deliver added value to them.

This article examines how digital technology could revolutionise the insurance sector in Africa, its potential and the challenges it presents, as well as the next steps for insurers, regulators and consumers to make it the driving force behind the development of insurance in Africa.

2.0 The African insurance market at a turning point

Africa is currently at a major stage in the development of its insurance sector. The low rate of insurance penetration in most of its markets exposes households, businesses and governments to growing economic and climate-related risks. This lack of adequate cover does not reflect a lack of potential, but rather insufficient inclusion.

Three major trends are now shaping the sector's future:

- Intensification of risks linked to climate change, urbanisation and the digitalisation of economies.
- Persistent gaps in data and knowledge of risks, which limit pricing, innovation and the mobilisation of capacity.
- Finally, and most importantly, the continent's driving force: a young, connected and resolutely digitally-oriented population, with new habits and expectations regarding financial protection.

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[1] *African Insurance Pool 2025, African Insurance Organisation, p. 21*

[2] *Deloitte, 2024/2025 Africa Insurance Outlook, 2024*

Against this backdrop, the sustainable growth of the insurance and reinsurance market in Africa will depend on its collective ability to bridge protection gaps, invest in risk and data intelligence, and place insurance at the epicentre of digital ecosystems and the informal economy.

Reinsurance is set to play an expanded role, going beyond supporting financial statements to becoming a driver of resilience, stability and development[3]. By supporting the roll-out of digital insurance solutions tailored to local realities — inclusive micro-insurance, parametric climate insurance, and embedded products via digital platforms — reinsurers facilitate the pooling of fragmented portfolios and help to smoothen out differences in risks between countries and economic zones. Through its ability to mobilise data on a large scale, harmonise technical practices and disseminate innovation across borders, reinsurance plays a key role in the emergence of a more stable, inclusive African insurance ecosystem capable of supporting the growth of the continent's digital economy[4].

3.0 The digital economy: a catalyst for change

3.1 The drivers of digital transformation in the African insurance sector:

3.I.1 Online distribution and accessibility

Insurers to reach previously underserved populations through micro-insurance and affordable policies. Digital integration, electronic signatures and electronic payments are streamlining the sales process and reducing policy issuance times.

Furthermore, we are witnessing a form of convergence between banking and insurance. Growing collaborations between insurers, banks and fintech firms represent a major driver for the large-scale roll-out of bundled insurance products in Africa[5]. By drawing on extensive distribution networks of banks and fintech technological platforms — notably mobile banking, e-wallets and instant payment systems — insurers can offer integrated cover combining life, health and property insurance, tailored to the needs of households and small businesses. These partnerships facilitate low-cost distribution, simplified underwriting and smoother claims handling, whilst significantly expanding the insured customer base. They thus help to democratise access to insurance, strengthen people's financial protection and accelerate insurance inclusion in Africa's digital economy[6].

3.1.2 Product innovation and customisation

Microinsurance and the competitive model of 'tailor-made' policies have led to the proliferation of low-cost, short-term products tailored to specific needs such as crop insurance for smallholders and cover for the self-employed.

Meanwhile, products based on the use of parametric elements are gradually transforming the traditional insurance landscape, such as telematics for motor insurance, health monitoring using sensors, and weather-indexed crop insurance, which enable fair pricing and rapid claims settlement[7].

However, the success of these new niche markets is only made possible by the availability of alternative data (mobile phone usage, social data, agronomic indicators), which improves risk assessment in markets where traditional data is limited, and enables the development of more accurate risk models.

3.1.3 Improving the customer experience

For a long time, the criticism levelled at insurance companies has been the lack of, or weakness in, the trust they inspire in policyholders. The development of self-service portals and chatbots, along with 24/7 access to policy details, claims status and support, has improved customer satisfaction. Furthermore, the digitalisation of agent and broker networks has led to the implementation of Customer Relationship Management (CRM) systems.

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3 *Imo & Chilekezi (2025), African Journal of Management and Business Research*

4 *African Insurance Pool 2025, African Insurance Organisation*

5 *McKinsey & Company: Redefining success for African fintech leaders (2024)*

6 *AfricaNenda: SIIPS 2024 Report (State of Instant and Inclusive Payment Systems)*

7 *https://www.iais.org/uploads/2024/12/FSI-IAIS-Insights-on-parametric-insurance.pdf*

Globally, 65 per cent of executives in the sector say that digital transformation has led to an increase in customer satisfaction, particularly thanks to smoother processes and intuitive digital interfaces such as mobile applications and online portals[8].

Furthermore, digital claims reporting (based on photos)[9] and real-time approvals speed up settlements, whilst ensuring moral hazard is mitigated through automated fraud controls. This digital photo-based claims reporting model is expanding rapidly across Africa, driven by Insurtechs and established insurers adapting to widespread use of mobile telephones. A notable example in this context is Assuraf (Senegal)[10], a platform that enables users to take out policies and make claims via mobile devices, by uploading photos of the damage directly to speed up the claims process.

Financial inclusion also plays a major role in improving the customer experience, as the development of affordable and accessible products helps to increase insurance penetration, particularly amongst rural and low-income populations. The programme DRIVE (De-risking, Inclusion and Value Enhancement of pastoral economies), for example, is a major World Bank initiative in the Horn of Africa aimed, amongst other things, at protecting pastoralists against climate shocks by offering them financial protection through drought insurance, based on satellite indices.

3.1.4 Risk management and operational efficiency

The automation and optimisation of administrative services play a central role in operational efficiency, notably through:

- Robotic Process Automation (RPA), which has the advantage of reducing manual tasks, cutting costs and improving accuracy.
- A scalable IT infrastructure that supports growth and improves disaster recovery. This is now commonly referred to as 'cloud-based resilience'.
- Advanced data analytics that enable better pricing, better provisioning and better portfolio management.

3.1.5 Ecosystem and collaboration

Insurtech start-ups have emerged as innovative players introducing new models, such as digital distribution, risk aggregation platforms and spectacular advances in customer onboarding.

Partnerships with the technology and telecommunications sectors, meanwhile, are broadening the scope and enabling real-time risk monitoring and premium collection, not to mention public-private collaboration, through which governments and regulators can foster a conducive environment via sandbox programmes[12], data-sharing frameworks and consumer protection rules.

4.0 Overview of some successful projects on the continent

In 2026, digital insurance in Africa is experiencing a major surge, driven by the integration of artificial intelligence (AI) and the harmonisation of regional regulations. Here are the key developments observed on the continent:

4.1 Integrated insurance through digital bancassurance: the case of the partnership between Access Bank and Coronation Insurance in Nigeria[13]

The concept of integrated insurance means that insurance is no longer sold as a standalone product but is integrated directly into other digital services.
In Nigeria, institutions such as Access Bank and Coronation Insurance have fully digitised the process

[8] *https://www.tarifassuranceauto.org/quels-sont-les-impacts-de-la-digitalisation-sur-la-relation-assureur-assuré?*

[9] *https://www.itesoft.com/fr/blog/gestion-des-sinistres-la-revolution-ia/*

[10] *Adoni Conrad Quenum, Senegal: Assuraf offers a range of insurance policies via its web and mobile platforms.*

[11] *https://www.lanation.dj/lancement-de-la-facilite-dinvestissement-du-projet-drive-a-djibouti/*

[12] *Regulatory 'sandbox' programmes in the insurance sector are controlled environments that allow insurers and insurtechs to test innovative products, services or business models with temporary regulatory relaxations. They aim to foster innovation, reduce barriers to entry and adapt regulations to new technologies (insurtech, AI) whilst ensuring consumer protection.*

[13] *Proshare and Access Bank Partner with Coronation Insurance for Bancassurance*

of taking out insurance policies via mobile applications and USSD codes, making the process as simple as a standard banking transaction.

4.2 The rise of Insurtechs

The insurtech (insurance technology) model makes it possible to reach previously excluded populations thanks to reduced operational costs.

The BIMA insurtech

Operating in Tanzania, Ghana and Kenya, BIMA uses AI for large-scale pricing and claims processing, covering more than 30 million customers[14] with low-cost health and life insurance policies. BIMA offers a telemedicine service with 24/7 access to qualified doctors via mobile phone, without the need to travel. The insurtech company has launched the B-Care service, an integrated model that combines insurance and medical services without the need for upfront payment at partner clinics.

Transactions are carried out via mobile payment: users pay their premiums directly using their airtime or their mobile money account, eliminating the need for a traditional bank account.

As examples of inspiration from elsewhere, there are specific platforms such as the Omani Bima.om, an online insurance comparison site, and the Indian IRDAI portal Bima Sugam, which centralises insurance services.

The micro-insurtech BeNew: an example of financial inclusion working towards environmental protection

BeNew Insurance is a Cameroonian start-up specialising in microinsurance that offers affordable cover to people on low incomes, targeting in particular those living on less than US$5 a day. The main innovation introduced by BENEW is that it offers an alternative method of paying premiums: a unique model that allows policyholders to pay their insurance premiums by collecting and exchanging recyclable materials (plastic waste), thereby promoting both financial inclusion and environmental protection.

BeNew offers micro-policies with simplified products, including micro-insurance for health, agriculture and group life cover. These micro-policies have the advantage of being low-cost: life insurance cover is available from US$1 per month.

Thanks to this innovation, BeNew was named 'Insurtech of the Year 2023' at the African Insurance Awards.

5.0 The Balance Between Opportunities and Challenges

5.1 Growth drivers for the insurance sector in Africa

With a population of over one billion in Africa, major opportunities for deeper market penetration are emerging, and if optimised and capitalised upon, can help propel the insurance sector to its full potential, notably through:

- **Digital channels.**

These are a vital tool for improving access to insurance, particularly for micro-enterprises, small businesses and the informal sector. They also facilitate cross-border insurance products and the regional sharing of actuarial data

- **The growth of agricultural insurance**

Climate resilience and crop/risk insurance tailored to smallholder farmers can stabilise incomes and food security.

- **Expansion of health and life cover**

Digital health portfolios, mobile diagnoses and simplified underwriting are paving the way for wider life and health coverage.

- **Data-Driven Risk Management**

Alternative data sources (IoT, telematics, social media, satellite imagery) help insurers assess risks more accurately in markets where official data is limited, enabling them to refine underwriting, personalise pricing

[14] *https://leapfroginvest.com/company/bima/*

and improve claims management. These sources include sensors, digital transactions and online behaviour, allowing risks to be assessed in real time rather than based on historical data.

5.2 Key challenges

Gaps in digital literacy highlight the difficulties faced by certain sections of the population when using digital insurance products, underscoring the need for inclusive design. Unreliable infrastructure – in particular, inconsistent internet access and electricity supply in rural areas – acts as a barrier to digital adoption. Furthermore, the rise of digital channels introduces new risks of fraud, necessitating the implementation of robust identity verification and monitoring systems. Insurers face the challenge of striking a balance between investing in digital platforms and maintaining capital adequacy, solvency and regulatory requirements. Furthermore, it remains essential to address the shortage of talent and skills, particularly when recruiting data scientists, digitally proficient actuaries and underwriters who are proficient in digital technologies and tools.

6.0 Looking to the future: vision and trajectory

6.1 Significance of the digital economy

The African insurance sector has everything to gain from digital transformation and,more broadly, from the digital economy. By adopting mobile distribution, data-driven underwriting and customer-centric digital experiences, insurers can expand their reach, reduce costs and improve claims handling.

In order to achieve these outcomes, models will need to be built around four key areas

6.1.1 Financial implications

Digitalisation requires significant investment from insurers, who are redirecting an increasing proportion of their budgets towards digital technologies in order to remain competitive and efficient. African insurers must therefore be prepared to invest in data processing capabilities, cyber security and user-centred product design.

Globally, the vast majority of insurance companies — around 70% to 78%[15] — plan to increase their spending on digital tools. These investments are aimed not only at modernising existing systems and automating key processes, but also at supporting innovation, product personalisation and integration with technology and fintech partners.

In the AMEA market[16], the digitalisation of insurance services is already worth several billion dollars and is expected to continue growing, reflecting the strategic importance of technological investment in capturing new customer segments and increasing operational efficiency.

6.1.2 Operational considerations

6.1.2.1 Establish strategic partnerships with players in the technology and telecommunications sectors. This will involve collaborating with telecoms operators, fintechs and insurtechs to accelerate distribution and access to data.

6.1.2.2 Prioritise digital integration and customer service. This will involve simplifying KYC procedures, electronic signatures and digital payments. It will also involve offering multilingual interfaces tailored to people with low literacy levels.

6.1.2.3 Ensure inclusion and accessibility: this will involve developing products aimed at rural and low-income segments, with pricing and service models tailored to their circumstances.

6.1.3 Integrating transformation through AI and data

The use of AI for claims processing is expected to rise from 17 per cent in 2024 to 37 per cent of insurers by the end of 2026[17], significantly reducing compensation times.

[15] *WIFITALENTS REPORTS: Digital Transformation in the Insurance Industry - Statistics*

[16] *AMEA: Asia, Middle East and Africa*

[17] *Insurance Times, Insurance Claims Report 2025/26*

Insurers can also capitalise on personalisation, a process whereby data collected via mobile devices and the Internet of Things (IoT) enables them to offer premiums tailored to the user's actual behaviour (e.g. 'pay-as-you-drive' car insurance).

6.1.4 Regulatory considerations

Regulatory engagement will involve working with regulators to create sandbox environments, clear guidelines and standardised reporting. The establishment of collaborative regulatory frameworks that balance innovation with consumer protection is therefore a priority.

In this regard, there have already been some significant advances in certain regions, driven by a dynamic legal framework that adapts to foster cross-border innovation, notably:

- In the East African market: Kenya, Uganda and Tanzania have signed a memorandum of understanding to harmonise mobile insurance regulations by 2026, facilitating the launch of digital products common to the whole region.
- Regulators in seven countries (including Nigeria, Ghana and Rwanda) are participating in programmes such as BimaLab to make their supervisory processes more flexible in the face of new technologies.

6.2 The Role of Risk Management

African insurers must adopt a proactive approach to risk management, incorporating governance, technology and compliance:

6.2.1 Enhance data quality and model reliability by implementing validation frameworks, robustness testing and mechanisms for continuous performance monitoring.

6.2.2 Establish data governance, adopt AI/ML responsibly and use alternative data to improve underwriting and claims handling.

6.2.3 Make cybersecurity and data privacy a strategic priority, possibly by implementing strong encryption, threat detection, access management, regular audits and business continuity plans, whilst prioritising the diversification of partners.

6.2.4 Ensure regulatory compliance through data protection, enhancing the reliability of eKYC and regulating cross-border data flows.

7.0 Conclusion

Digital transformation and the rise of the digital economy are not merely technological changes; they act as catalysts for greater inclusivity, resilience and innovation in insurance markets across Africa. As insurers explore the opportunities and challenges, the focus must be on reliable digital experiences, affordable and relevant products, and rigorous data management. When implemented thoughtfully, digital insurance in Africa can promote financial inclusion, support economic growth and strengthen social resilience in the face of climate, health and economic uncertainties.

Although the market is estimated to be worth over USD 160 billion by 2033[18], challenges remain in 2026, notably in terms of market appeal, data quality and cybersecurity risks, which are becoming a priority for insurers.

[18] *IMARC Group, African Insurance Market, 24 January 2025*

Digital Platforms: Opportunities and Challenges for the African Re/ Insurance Industry

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1.0 Introduction

The evolution of digital platforms in Africa has been quite slow with (Re)insurers lagging behind in a race that holds the potential to positively impact the socioeconomic development of the continent. In fact, until recent years, nearly every function in the insurance industry relied on physical files and in-person interactions. Submission packs were often delivered physically or occasionally via email attachments. Pricing models were maintained in Excel spreadsheets stored locally on individual computers. During the renewal season, underwriters would queue at printers because policy documents still had to be physically delivered to policyholders. One wondered how an insurance policy, essentially a complex promise to pay a fortuitous claim, could be sold to lay persons in such an inefficient way.

Risk survey reports took considerable time to reach clients, and policyholders had little visibility on the status of their claims. Communication between insurers, brokers, and reinsurers was often slow and fragmented. In October and November when preparations began for the critical 1 January renewals, underwriters could scarcely be seen, not because they were absent, but because they were surrounded by stacks of paper files awaiting review. Client folders were archived in hard copy cabinets, and it was not uncommon for clients to complain about late policy documents or missed renewal notifications. Unsurprisingly, customer satisfaction levels were often poor.

One must however add that there were a handful of companies that presented quite a different face of the daily life of an underwriter. Their underwriting teams were supported by sophisticated digital ecosystems: in-house pricing engines, natural catastrophe modelling tools, real-time reporting dashboards, wording comparison software, and electronic underwriting files. It was an entirely different operational reality in the same insurance profession.

In general, however, the issues raised above are still a stubborn reality of many insurance and reinsurance companies in Africa. The use of paper is still common, and there is inefficiency and lack of transparency in many of the current processes. Few (re) insurance industry players have digital platforms for their workflows. Time is just not on their side as , it is becoming increasingly clear that digital platforms are no longer a technological option for the insurance profession. In a rapidly evolving and competitive market, they are becoming a strategic necessity that will shape the efficiency, resilience, and accessibility of the (re) insurance industry.

But how exactly will they transform the industry?

In order to delve into this issue, it is important first to understand what digital platforms are and then examine both the opportunities they offer and the challenges they present to the insurance ecosystem.

2.0 Digital Platforms

2.1 What are digital platforms and what value do they offer?

According to the Organization for Economic Co-operation and Development (OECD) in its Digital Economy Outlook 2019, "digital platforms are online infrastructures that facilitate interactions between multiple interdependent user groups, enabling connectivity, supporting exchanges, and fostering the development of integrated digital ecosystems".
Within the (re)insurance sector, the World Economic Forum (WEF) further characterizes digital platforms as "integrated technological frameworks that connect key stakeholders including insurers, reinsurers, brokers, banks, agents, and policyholders". **[1]**

Their core function is to streamline risk management processes, optimize operational workflows, and enhance efficiency across the entire insurance value chain, from underwriting and policy issuance to claims management and settlement.

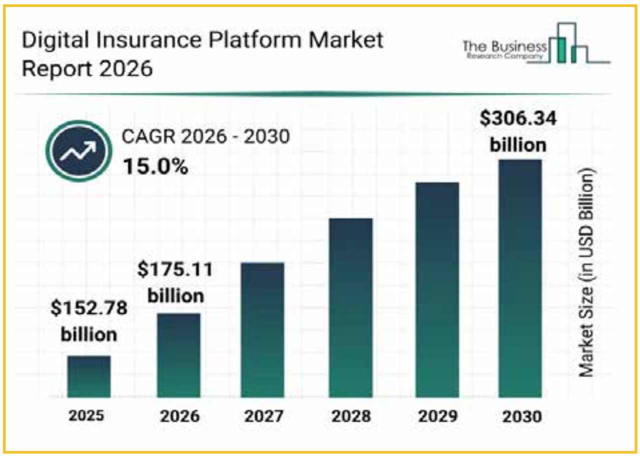
Digital platforms, however, are not homogeneous in structure or function. They vary significantly in scope, governance, and strategic orientation. Some operate as distribution marketplaces connecting insurers directly with customers, others function as data-driven underwriting and analytics hubs while more advanced ecosystem platforms integrate embedded insurance, digital payments, claims automation, and third-party service providers into a seamless interface. Depending on their design, platforms may be proprietary, consortium-based, or open-architecture systems, each reflecting different levels of interoperability, regulatory oversight, and value-chain integration. This diversity underscores the evolving and multifaceted nature of digital platforms within the global (re)insurance landscape.

2.2 Rise of digital platforms in the insurance industry

For much of the developing world, specifically Africa, the Covid-19 pandemic acted as a catalyst for change, accelerating the adoption of digital services and fueling the rise of InsurTech startups. In fact, according to the 2021 CEO Outlook by KPMG, "96% of global insurance CEOs reported that the pandemic accelerated the digitization of operations and the development of next-generation operating models".

Furthermore, the Business Research Company's 2025 Digital Insurance Platform Global Market Report projects that "the global digital insurance platform market is projected to grow from USD 152.78 billion in 2025 to USD 175.11 billion in 2026, and to expand further to approximately USD 306.34 billion by 2030", reflecting sustained industry momentum, as insurers invest in digital capabilities to enhance underwriting, distribution, and customer engagement. **[2][3]**

Chart: Global Digital Insurance Platform Market Size from 2025 to 2030



Africa is far from being on the sidelines of this transformation. The continent presents one of the most compelling frontiers for innovation in (re)insurance. Despite its vast economic and demographic potential, Africa's insurance penetration remains low at 1.47%, well below the global average of 5.6%. With the notable exception of South Africa, where penetration reaches 11.54%, most African markets remain largely underinsured and underdeveloped.

This structural gap has increasingly attracted innovative insurance start-ups and Insurtech companies seeking to address unmet protection needs and expand financial inclusion. Their interest is further reinforced by Africa's unique demographic profile. The continent is home to a rapidly growing and predominantly young population of approximately 1.2 billion people, with nearly 70% under the age of 30. This youthful demographic is both digitally savvy and receptive to alternative distribution channels.

At the same time, rising mobile phone penetration which is projected to reach 50% by the end of 2025 has fundamentally changed the insurance distribution landscape. Mobile technology has transformed insurance from a traditionally physical, agent-driven business into a scalable, digital service accessible directly through handheld devices. As a result, the prospect of insuring millions of Africans via mobile platforms has moved from theory to reality, creating significant opportunities for Insurtechs, insurers, reinsurers, and regulators alike

An African proverb wisely reminds us, "Those who want rain must also accept the mud." In the context of digital transformation, this reflects the reality that while digital platforms unlock significant opportunities for the (re)insurance industry, ranging from accelerated growth to greater financial inclusion, they also introduce inherent challenges that must be proactively and carefully managed. These challenges include heightened cybersecurity and data privacy risks, limitations arising from legacy systems, the complexity of integrating artificial intelligence into core insurance processes, evolving regulatory requirements, and a widening skills gap in digital and analytical capabilities. Successfully addressing these issues is essential for ensuring that the digital transformation of Africa's (re)insurance sector remains secure, resilient, and sustainable over the long term, enabling the industry to fully harness the transformative potential of digital platforms.

2.3 What are the opportunities presented by Digital platforms for (re)insurance?

2.3.1 Expanding Insurance Reach and Enhancing Customer Experience

Digital platforms help to close the insurance penetration gap by enabling mobile-first insurance distribution which removes traditional barriers such as lack of agents or brokers in rural areas. In Kenya for Instance, the adoption of digital platforms has contributed to a 20% rise in online transactions, with digital insurance policies sold increasing 25% annually **[4].** This is not a Kenya-specific phenomenon. In Nigeria, mobile-enabled microinsurance schemes have expanded gross written premiums to double-digit annual rates over the past three years, driven largely by partnerships between insurers and telecom operators. In Ghana, mobile-money-linked insurance products such as POKUAA have moved from a marginal distribution channel to a mainstream one within a few years of launch. In South Africa, insurers offering app-based and USSD-enabled policies have reported policyholder growth well above the industry average, confirming that digital-first distribution is becoming the norm rather than the exception across the continent.

On the customer experience perspective, back in the early 2000s, the service delivery was essentially via the phone during set business hours and in person. But today, digitalization allows customers to experience personalized and responsive answers to their needs through social media, and mobile platforms at all hours. **[5]**

A good illustration of this shift is Turaco, an East African Insurtech that embeds simple, mobile-based health and life cover directly into the customer journeys of partner apps and fintechs across Kenya, Uganda and Nigeria. By removing paperwork and enabling instant sign-up and claims through a smartphone, Turaco has been able to reach large numbers of first-time policyholders who would otherwise have had no access to a physical agent or branch, illustrating how digital distribution can expand reach far beyond traditional channels. Similarly, Old Mutual's digital platforms in East Africa now allow customers to buy cover, pay premiums, and track claims entirely from a mobile app, reinforcing how digitalization is reshaping customer experience across the region. **[6]**

2.3.2 Microinsurance and Inclusive Coverage

According to the International Labour Organization (ILO), "much of Africa's workforce is informal and accounts for around 85% of employment " **[7].** This situation poses a real challenge to traditional insurance models which require a formal employment documentation and high cost, agent-driven distribution. This is where Digital innovation becomes a key enabler for unlocking insurance growth in Africa through Microinsurance. In fact, via mobile platforms for instance, the informal sector will have access to insurance products, irrespective of their physical location. Access to financial services with simplified enrolment, premium collection, and efficient claims processing, often through Unstructured Supplementary Service Data (USSD) codes or mobile apps, makes insurance more accessible, affordable, and relevant to the realities of the informal sector.

This model is already being proven at scale by Pula Advisors, an agricultural microinsurance and technology company that partners with governments, mobile network operators, and (re)insurers across more than fifteen African countries to bundle index-based crop cover into inputs such as seeds and fertiliser. Premiums, enrolment, and claims are all managed digitally, allowing smallholder farmers, most of whom operate entirely outside the formal economy, to access protection without ever visiting a branch or filling in a paper proposal form. Likewise, M-TIBA in Kenya uses a mobile health wallet to let informal-sector workers save toward and pay for medical cover in small instalments via their phones, demonstrating how digital platforms can adapt insurance to the cash-flow realities of informal employment. **[8]**

2.3.3 Operational efficiency and Cost efficiency

Historically, manual data handling consumed up to two-thirds of underwriters' time which can be eliminated with digital solutions. Through the Automation of Administrative tasks and robotic process automation (RPA), operating cost can be reduced by 10- 30%. For instance, Swiss Re is on track to achieve a US$300 million reduction in run-rate operating expenses by 2027 through its integrated data and AI platform. **[9]**

2.3.4 Enhanced Risk Assessment and Pricing

The Artificial Intelligence (AI), machine learning, and third-party data (from satellite imagery, IoT sensors, and wearables) allows for more sophisticated and accurate risk modeling, particularly for complex risks like natural catastrophes and cyber threats. This leads to improved pricing accuracy and facilitates parametric Insurance, which uses real-time data triggers such as wind speed, earthquake magnitude and pluviometry. In 2026, approximately 76% of insurers are utilizing AI to refine risk assessment and pricing models which has a positive impact on their performance. For example, as per Mckinsey, "Predictive analytics and generative AI are transforming core workflows in numerous industries, particularly insurance", leading to significant loss ratio improvement of 3-5%".

2.3.5 Streamlining Claims Operations and Enhancing Fraud Detection

Traditionally, claims management has been among the most complex and inefficient functions within the insurance value chain, constrained by paper-based processes, multiple layers of manual approval, and weak system integration. These limitations have historically driven higher operating costs, prolonged settlement timelines, and reduced transparency for policyholders. Digital platforms are now reshaping claims management by enabling electronic submission, real-time status tracking, and automated data extraction through artificial intelligence and optical character recognition, thereby significantly reducing manual intervention, error rates, and decision-making delays. Empirical evidence supports these gains: according to McKinsey & Company, "AI-enabled claims solutions can reduce processing time by up to 70% and lower claims handling costs by approximately 30% ". Beyond efficiency improvements, digital platforms have also strengthened fraud detection through real-time verification, shared databases, and advanced analytics. This impact is particularly evident in Kenya's motor insurance market, where up to 25% of claims were previously estimated to be fraudulent and between 22% and 40% of insurance certificates unverifiable. The introduction of the digital motor insurance certificate by the Association of Kenya Insurers, verifiable instantly via mobile platforms and USSD (*352#), has significantly reduced certificate fraud, enhanced claims integrity, and demonstrated the tangible risk-mitigation benefits of digital platforms for both insurers and reinsurers. **[10]**

2.4 What are the Challenges presented by Digital platforms for (re)insurance?

2.4.1 Regulatory Compliance

Regulatory compliance remains a major challenge in the adoption of digital platforms within the (re)insurance industry, particularly as digital business models increasingly operate across borders while regulatory frameworks in Africa remain largely fragmented at the national level. Differences in licensing, product approval, consumer protection, and data privacy requirements complicate the regional scaling of digital solutions. In addition, digital insurance raises regulatory uncertainties around e-KYC, remote sales, digital signatures, cross-border data flows, cloud outsourcing, and third-party partnerships, with many jurisdictions still developing appropriate frameworks for digital, usage-based, and parametric products. These challenges are further amplified in the context of the African Continental Free Trade Area (AfCFTA), where the lack of harmonized insurance and data regulations continues to constrain cross-border digital insurance operations. Addressing this fragmentation through greater regulatory coordination will be essential to unlocking the full potential of digital platforms for insurers and reinsurers across the continent.

2.4.2 Data Security and Privacy

The growing reliance on digital platforms significantly increases cybersecurity and data privacy risks for insurers and reinsurers, as underwriting, claims management, customer onboarding, and data exchange processes become more interconnected and technology-driven. Expanded digital ecosystems expose (re)insurers to a broader threat landscape, including cyberattacks, ransomware, data breaches, and system disruptions, with potentially serious financial, operational, and reputational consequences. These risks are heightened by the sensitive nature of insurance data, encompassing personal, financial, health, and geolocation information, making the sector an attractive target for cybercriminals.

Data privacy challenges further complicate digital transformation in Africa, where data protection frameworks vary widely across jurisdictions and remain at different stages of maturity. As insurers adopt cloud-based systems, outsource technology functions, and operate across multiple markets, compliance with national data protection laws, data localization requirements, and cross-border data transfer restrictions becomes increasingly complex. For reinsurers, these challenges are intensified by the need to receive timely and granular data from cedants while ensuring that data-sharing arrangements comply with diverse regulatory regimes.

Inadequate cybersecurity controls or weak data governance can undermine trust in digital insurance solutions, expose (re)insurers to regulatory sanctions, and erode customer confidence. Mitigating these risks requires sustained investment in cybersecurity infrastructure, robust data governance frameworks, continuous monitoring, and close coordination with technology partners, regulators, and cedants to ensure that digital innovation is both secure and compliant.

2.4.3 Talent Acquisition and Skills Gap

A key constraint to the effective deployment of digital platforms in the (re)insurance sector is the shortage of specialized digital talent. As insurers increasingly adopt artificial intelligence, advanced analytics, cloud computing, and cybersecurity solutions, demand for professionals with combined technology and insurance expertise continues to outpace supply across many African markets. "Although 64% of employees in major African economies report using AI at work, PwC finds that only a small proportion possess advanced technical skills, with less than 13% of the workforce having intermediate digital capabilities and only around 2% able to program". This skills gap raises recruitment costs, intensifies competition with other sectors, and slows digital transformation, underscoring the need for sustained investment in capacity building, targeted upskilling, and stronger partnerships with academic and technology institutions.

2.4.4 Legacy Systems and Technology Debt

Legacy systems remain a major structural barrier to the adoption of digital platforms in the (re)insurance industry, particularly across African markets where core underwriting, claims, and policy administration systems rely on outdated, siloed technologies. These systems are difficult to integrate, lack interoperability, and require extensive manual intervention, leading to slow processing, inconsistent data quality, and limited real-time visibility. The cost is significant: insurers globally spend up to 70% of IT budgets maintaining legacy infrastructure, which increases operating costs by an estimated 15–25% and constrains innovation. For reinsurers, legacy systems at the cedant level further hinder data quality, bordereaux timeliness, and risk aggregation, undermining analytical accuracy. Addressing these constraints requires phased modernization through system rationalization, cloud migration, and the adoption of modular, interoperable architectures that support scalable digital integration without disrupting core operations.

2.5 Successful Examples of digital platforms implementation

2.5.1 AAR Insurance Kenya has been recognized for its aggressive digital strategy, notably through a mobile application that digitizes product access, customer support, and claims. The insurer was awarded "Most Innovative Insurance Mobile App Kenya 2022," reflecting its success in offering customers the ability to obtain quotes, purchase policies, and submit claims from their mobile devices. Its digital suite also includes chatbot functionality that integrates with platforms like WhatsApp, enabling real-time engagement and support, and expanding access to medical and health cover via simple digital interfaces.**[11]**

2.5.2 Star Assurance Limited in Ghana introduced POKUAA, a digital platform that leverages WhatsApp and SMS to enable customers to request quotes, make payments, receive policy documents, and submit claims in real time. Operating 24/7, the platform improves accessibility and convenience for customers who prefer mobile messaging channels, illustrating how digital platforms can tap into widely- used communication tools to expand insurance reach and inclusion. **[11]**

2.5.3 BIMA, the global leader in mobile-delivered insurance uses mobile phone technology to provide affordable life, health, and personal accident insurance to low-income consumers in Africa, Asia, and other emerging markets. Launched in Ghana in 2010, the platform has grown rapidly through partnerships with mobile network operators and financial service providers to reach over 35 million customers, with around 575 000 new policies issued monthly and roughly 75 % of policyholders purchasing insurance for the first time. **[12]**

3.0 Conclusion

The evolution of the African insurance industry clearly demonstrates that digital transformation is no longer optional but a strategic necessity. The real question is not its adoption, but rather the speed of implementation and the effectiveness of its integration in the operations of (re)insurance companies, while maintaining strong underwriting discipline, technical rigor and client focus. Furthermore, digital platforms should not be seen as a replacement for expertise, but as an enabler that enhances decision-making, improves efficiency, and strengthens transparency across the value chain. They offer an opportunity to simplify processes, reduce turnaround times, and provide better visibility to all stakeholders.

There is no room for reflection. (Re)insurance companies should act quickly in order to avoid being left behind in a world where client experience is key to building trust and developing business.

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Significance of Parametric Insurance in Building Climate Resilience and Bridging the Protection Gap

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1.0 Introduction

When climate shocks hit, the clock starts ticking. In agriculture, missed planting windows translate directly into lost seasons. In energy and transport, service disruptions quickly escalate into fiscal pressure. For governments, delayed response can turn a climatic shock into a humanitarian crisis.

From experience across the African continent regarding insurance coverage, one reality stands out: speed of liquidity matters, just as much as adequacy of cover. This is why parametric insurance has moved decisively from innovation to necessity.

Traditional indemnity insurance remains indispensable, but it is structurally slow in responding to systemic climate events. Parametric insurance, by contrast, is designed to release funds rapidly once the objective and independently verifiable triggers are breached. In climate risk contexts, this difference is not academic, it is material. As such the ultimate objective of all parametric insurance should be to step into this gap with a solid promise: pay fast, pay transparently, based on an objective trigger. This is exactly why parametric insurance has become one of the most practical tools for narrowing Africa's climate protection gap especially where exposure is high, losses are correlated, and conventional insurance penetration remains low.

2.0 Why Parametric Insurance is structurally fit for covering Climate Risk

Parametric insurance pays a pre-agreed amount when a defined index - rainfall, wind speed, flood depth, temperature, Normalized Difference Vegetation Index (NDVI) for vegetation stress, etc.) - crosses a specified threshold. Payout requires no loss adjustment, no claim files and no negotiation. This structure directly addresses three persistent realities in African climate risk:

- Losses are systemic, not idiosyncratic.
- Indirect losses dominate, particularly income disruption and emergency response costs.
- Claims infrastructure is limited, especially for smallholder and geographically dispersed risks.

The integrity of parametric insurance hinges on the quality, transparency, and independence of data used to define and trigger payouts. Indices may be derived from satellite observations such as NDVI for vegetation stress, ground-based weather stations, or blended datasets calibrated through historical modelling. Independent calculating agents play a critical role in validating trigger breaches and ensuring transparency, particularly in multi-stakeholder programs involving governments, insurers, reinsurers, and development partners.

From a governance standpoint, clear separation between data providers, model developers, and claims verification functions is essential. This separation not only enhances credibility but also aligns parametric structures with broader financial reporting and risk management standards, including IFRS 17 considerations around contract classification and payout transparency.

However, parametric insurance is not a silver bullet. The biggest technical constraint is basis risk; the mismatch between payout and actual loss when the index does not perfectly reflect what happened on the ground. This is why product design, data quality, and clear client education are not optional add-ons; they are prerequisites and non-negotiable.

3.0 Key Constraints to Scaling Parametric Insurance in Africa

Despite its demonstrated value, parametric insurance in Africa continues to face several structural barriers that limit its expansion beyond pilot programs and sovereign applications:

- **Affordability:** Many parametric solutions are dependent on donor or government subsidies to remain viable.
- **Data limitations:** While improving, data density and historical depth remain uneven across regions.
- **Regulatory frameworks:** In some markets, regulatory structures have not fully adapted to accommodate index-based insurance products.
- **Trust and understanding:** Limited awareness among end-users can lead to skepticism, particularly around basis risk.
- **Distribution challenges:** Reaching smallholder farmers and informal sectors at scale remains complex and costly.

Addressing these constraints will require coordinated efforts across insurers, reinsurers, governments, and development partners.

4.0 Designing Parametric Insurance That Works in Practice

The success of parametric insurance is not determined by the sophistication of the index alone, but by how effectively it aligns with the client's financial exposure. Several design principles are critical:

- **Trigger relevance:** The selected index must demonstrate strong correlation with actual economic loss. For example, rainfall deficits must meaningfully translate into yield reductions for crop insurance products.
- **Basis risk management:** While basis risk cannot be eliminated entirely, it can be reduced through blended indices, geographic segmentation, or layered trigger structures.
- **Clear payout structure:** Pre-defined payout curves ensure transparency and eliminate ambiguity at the point of claim.
- **Defined use of funds:** The intended purpose of payouts whether for input financing, debt servicing, emergency response, or business continuity, must be clearly established at inception.
- **Client understanding and trust:** Parametric products require clear communication. Without proper client education, there is a risk of misinterpretation when payouts occur without visible loss, or vice versa.

In practice, successful parametric programs are those where these design elements are aligned from the outset, supported by robust data and disciplined underwriting.

5.0 Africa's Experience: Proven at Sovereign Level, Underutilized Elsewhere

From an operational standpoint, Africa has seen practical innovation in parametric insurance driven by immediate climate risk needs rather than formal R&D investment. However, scaling remains constrained by affordability, distribution, data density, and technical capacity.

What is encouraging is that Africa has one of the world's most active sovereign parametric ecosystems through the African Risk Capacity (ARC)i. ARC reports that since inception it has underwritten more than 60 sovereign policies, providing protection to an estimated 72 million vulnerable people across member states. Cumulative claims paid since 2014 exceed USD 125 million, with payouts typically released within weeks of trigger confirmation. Most recently, in October, 2025, ARC reported a combined parametric payout of about US$5.4 million supporting Mozambique's response to drought and a tropical cyclone event.

At the meso and micro levels, parametric insurance has also demonstrated tangible impact, particularly in agriculture and livestock systems, where rapid liquidity is critical to protecting productive assets and livelihoods. The table below highlights the impact of key parametric insurance programs implemented in Africa.

Key parametric insurance programs in Africa

Country	Year (s)	Instrument/ Program	Peril Covered	Approx. Payout/ Impact (US$)	Economic Purpose
Senegal	2014	ARC Sovereign Cover	Drought	~ 16 million	Food security & early response
Malawi	2016	ARC Sovereign Cover	Drought	~ 8 million	Maize imports & social protection
Niger	2017	ARC Sovereign Cover	Drought	~ 5 million	Cash transfers & fodder support
Mozambique	2019	ARC	Cyclone Idai	~ 3 million	Emergency response & relief
Mozambique	2025	ARC	Drought & Cyclone	~ 5.4 million	Early recovery & response
Horn of Africa: Kenya, Ethiopia and Somalia	2022 – present	DRIVE (NDVI-based IBLI)*	Drought	~ 7.8 million	Pastoral livestock protection & credit enablement

**DRIVE (De-risking, Inclusion, Value Enhancement of Pastoral Economies)*
**IBLI (Index-Based Livestock Insurance)*

These examples demonstrate that parametric insurance in Africa has already moved beyond theory into measurable economic relief. What remains is disciplined scaling beyond sovereign and donor-supported programs into commercially sustainable portfolios. The real constraint is not data availability, but alignment of incentives across insurers, reinsurers, governments, lenders, and distribution partners.

By comparison, other regions such as the Caribbean have institutionalized parametric insurance more deeply and have continued to demonstrate what mature regional pooling can achieve. The Caribbean Catastrophe Risk Insurance Facility (CCRIF) has disbursed over USD 300 million in rapid payouts to member states since inception, often within 7-14 days of qualifying events. The facility has also embedded parametric insurance into national disaster risk financing frameworks. The lesson is not that Africa lacks innovation, but that institutionalization takes time, coordination, and underwriting patience. Africa's climate urgency is also becoming sharper in public discourse. The success of CCRIF is not purely technical—it is institutional. Member states commit to participation, risk is pooled across geographies, and parametric payouts are integrated into national fiscal response mechanisms. In contrast, many African parametric initiatives remain fragmented, often project-based or donor-supported, limiting scalability and long-term sustainability. Bridging this gap will require stronger regional coordination, regulatory alignment, and sustained commitment from participating governments and market players.

ARC former CEO, Lesley Ndlovu captured the acceleration of extremes bluntly: “droughts, and floods that used to happen every 10 years are now happening every three years.” The implication is direct: as return periods compress, liquidity solutions must become faster, more predictable, and more scalable.

6.0 Next-Frontier Applications for Parametric Insurance

Having established where parametric insurance is already delivering measurable value in Africa, mainly in sovereign disaster response, crop systems, and livestock protection, the important forward-looking question is: where does it fit next; not in theory, but in operational reality? It is reasonable to expect that, the next phase of parametric growth will come from the following sectors where losses are increasingly climate-driven, financially immediate, and difficult to adjust under traditional indemnity insurance structures. And that, in a disaster, the asset may still be standing, but the cashflow has already stopped, consistent with the common pattern in parametric insurance.

6.1 Energy systems

Several African power markets are heavily dependent on hydropower, and recent drought cycles have translated directly into generation shortfalls, rationing, and emergency power procurement. Zambia’s drought-driven hydropower constraints in 2024 illustrate how climate variability quickly becomes a national economic issue, not just an engineering problem. The financial stress in such situations does not arise from turbine damage; it comes from lost generation and replacement costs. In such cases, parametric insurance, structured around reservoir levels, rainfall anomalies, or drought indices can provide rapid liquidity for fuel switching, power imports, or grid stabilization. Parametric energy covers will gain traction where lenders and financiers require revenue stability, not merely asset protection. That is where the trigger logic and payout purpose align cleanly.

6.2 Tourism and conservation economies

Across Africa, parks and recreational areas are increasingly exposed to floods, prolonged rainfall, wildfire risk, and extreme heat. For instance, when Kenya experienced severe flooding in 2024, parts of the Maasai Mara ecosystem saw camp evacuations and operational shutdowns. In many such cases, the buildings are not destroyed but visitors stop coming immediately. Traditional insurance responds to damaged property and sometimes to vanished bookings. Parametric structures, however, can be built around river height near park access points, rainfall-day thresholds, or wildfire index triggers, releasing funds to support reopening, payroll continuity, and urgent clean-up. From a cover design standpoint, these covers make sense only when written at portfolio level, across park systems or lodge groups because the revenue risk is pooled in nature.

6.3 Human health

Human health is another area where the climate signal is becoming too strong to ignore.

Heatwaves and cold spells across Africa are already associated with measurable increases in hospital admissions and emergency visits, and with productivity losses among outdoor and informal workers. The financial strain shows up as surge staffing costs, emergency supplies, and lost labor output. These are not abstract projections; they are already being tracked by public health and labor institutions. Parametric health structures, based on temperature and humidity thresholds, can fund surge response once predefined limits are exceeded. However, this will scale through sovereign or pooled mechanisms rather than retail insurance markets. Health parametric insurance must be anchored in public financing logic to remain credible.

For instance, in Limpopo Province, (South Africa, an analysis of 4,062 pneumonia admissions (2007–2015) found that colder conditions were associated with higher pneumonia hospitalization rates: meaning temperatures around 12°C (vs 21°C) corresponded to an estimated ~27% increase in pneumonia admissions, with dryness also worsening admissions patterns. This is precisely the kind of climate-health exposure that lends itself to parametric surge financing, where a predefined temperature/humidity trigger can release immediate funding for staffing, oxygen and respiratory supplies, and rapid outreach before facilities become overwhelmed.

6.4 Transport and logistics
Transport and logistics networks across the continent are also showing repeated climate stress. Flood events in East and Southern Africa have repeatedly submerged major roads, damaged bridges, and shut down corridor movement for days at a time. When that happens, the primary loss is not the damaged road, it is the halted flow of goods. Demurrage accumulates, supply chains stall, and rerouting costs escalate. Ports and airports face similar exposure when wind or flood thresholds are breached. These are precisely the kinds of risks parametric insurance is designed to address: closure duration, flood depth at choke points, or verified shutdown hours can serve as triggers for immediate working-capital payouts. Corridor-level parametric covers are one of the most underdeveloped opportunities in African risk transfer today.

What ties all these next-frontier sectors together is not innovation for its own sake. It is measurement clarity and financial purpose. Parametric insurance works where the trigger is objective, the operational pain is immediate, and the payout use is defined in advance. Where those three elements are missing, the structure weakens quickly.

7.0 The bottom line: closing the gap needs speed, trust, and scale
As reinsurers, we have a critical role to play, not only as providers of capacity but also as technical partners in product design, pricing, and portfolio structuring. The transition from pilot programs to scalable markets will depend on disciplined underwriting, continued investment in data infrastructure, and long-term commitment from all stakeholders. Ultimately, closing Africa's climate protection gap will require not just innovation, but execution at scale anchored on speed, trust, and financial clarity.

Parametric insurance is not "better" than indemnity insurance but it is better suited to addressing specific climate problems that require speedy settlement of claims, transparent triggers, and scalable distribution. If well structured, it can close the space between shock and support.

8.0 Conclusion

Africa's climate protection gap remains one of the widest globally, with insurance penetration in many markets estimated at below 3%, and a significant proportion of climate-related losses remaining uninsured. As extreme weather events intensify, governments are increasingly forced to absorb shocks through emergency fiscal spending, often diverting resources from long-term development priorities. In this context, financial instruments that can deliver rapid, predictable liquidity are no longer optional—they are essential components of climate resilience frameworks. Parametric insurance sits at the center of this transition.

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IFRS 17- Two Years Later: Reshaping Profitability and Risk Appetite in Selected Middle East & North African Markets

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Two years after the global implementation of IFRS 17, the insurance landscape has been reshaped across key Middle East and North African (MENA) markets specifically Saudi Arabia, the United Arab Emirates (UAE), Egypt, and Morocco.. The new accounting standard, which replaced IFRS 4, has successfully introduced a more uniform and transparent framework for measuring insurance contracts, leading to financial statements that reflect a more accurate economic reality. While initial implementation was complex and costly, the transition has catalyzed positive and strategic changes.

Key takeaways from the transition include:

- **Enhanced Transparency and Comparability**
  IFRS 17 has dramatically improved the quality of financial reporting. The clear separation of underwriting results (Insurance Service Result) from investment performance has exposed weaknesses, such as chronic underpricing or reliance on investment income to mask underwriting losses. This has leveled the playing field and made it possible to benchmark insurers across different countries on common metrics, fostering greater investor and regulator confidence.

- **Recalibrated Profitability and Risk Appetite**
  The standard has prompted a strategic shift towards disciplined underwriting and long-term value creation. Insurers are repricing unprofitable lines, such as motor and medical insurance, and rebalancing portfolios towards products with more stable profit profiles. The introduction of the Contractual Service Margin (CSM) as a measure of future unearned profit has created a key performance indicator that incentivizes sustainable growth over short-term premium volume.

- **Strengthened Capital and Risk Management**
  While IFRS 17 does not directly alter regulatory capital rules, its influence has reinforced a "capital-first" mindset. The transparency it provides into financial health has accelerated market consolidation, particularly in the UAE and Saudi Arabia, as weaker players with inadequate capital are more

easily identified. Regulators are now beginning to align new risk-based capital (RBC) regimes with IFRS 17 principles.

- **Staggered but Converging Regional Adoption**
  Saudi Arabia and the UAE implemented IFRS 17 on schedule in 2023, with regulators providing crucial support through phased rollouts and dual reporting frameworks. Egypt and Morocco took a more measured approach, with mandatory adoption set for mid-2024 and 2025 respectively, allowing additional time for preparation. By the end of 2025, all four key markets had aligned, setting a new standard for regional financial management in the insurance sector.

- **Shift from Implementation to Optimization**
  With the initial challenges of adoption largely overcome in the Gulf and other Markets in North Africa, insurers are now leveraging the richer data from IFRS 17 to refine pricing, enhance product design, and align risk management more closely with financial reporting, using the standard as a management tool to drive performance and competitive advantage.

Regional Adoption and Implementation Overview

The transition to IFRS 17 across the MENA region has been characterized by varied timelines and strong regulatory guidance, reflecting the unique market conditions in each country.

- **Adoption Timelines**
  - **Saudi Arabia and UAE:** Implemented IFRS 17 in lockstep with the global effective date of 1 January 2023.
  - **Egypt:** The Financial Regulatory Authority (FRA) issued an equivalent local standard (EAS 50), effective for periods beginning on or after 1 July 2024, meaning the first reports under the new regime appeared in 2025.
  - **Morocco:** The insurance regulator (ACAPS) deferred the mandatory effective date to 1 January 2025. Notably, one major life insurer, La Marocaine Vie, chose to adopt the standard early in 2023.
- **Implementation Challenges & Regulatory Support**
  - Insurers globally spent an estimated US$20 billion on IFRS 17 projects, facing hurdles in overhauling actuarial models, IT systems and data processes.
  - **Saudi Arabia:** The Saudi Central Bank (SAMA) managed a four-year phased plan that included industry-wide dry runs from 2021 to 2022 to ensure a smooth transition.
  - **UAE:** The Central Bank permitted a dual reporting framework, requiring IFRS 17 for general financial statements but allowing the old IFRS 4 basis for regulatory solvency forms to prevent capital shocks.
  - **Egypt and Morocco:** Regulators in these countries actively guided the transition, providing extra time and support. The FRA in Egypt conducted follow-up meetings with insurers, while Morocco's ACAPS plans to introduce a new Solvency II-style regime in 2026, following the IFRS 17 implementation.

Impact on Capital Requirements and Financial Strength

IFRS 17 has indirectly but powerfully reinforced a "capital-first" mindset by altering reported equity and exposing the true economic solvency of insurers, spurring both regulatory action and market consolidation.

Influence on Reported Equity

The standard does not change regulatory capital rules, but it impacts the inputs. Upon transition, many insurers saw a one-time adjustment to equity. For life and composite insurers with previously conservative reserves, this often meant a release of those reserves, "driving equity positions up and leverage ratios down." This provided a stronger accounting buffer but introduced potential for greater earnings volatility.

- **Saudi Arabia:** The IFRS 17 transition coincided with broader solvency reforms under Vision 2030. SAMA raised minimum capital requirements (to SAR 300 million for direct insurers and SAR 1 billion for reinsurers), encouraging consolidation. The stronger equity reported under IFRS 17 helped some insurers meet these new thresholds.

- **UAE:** While the regulator has not yet aligned solvency rules with IFRS 17, creating a short-term dual-calculation burden, the financial strain of implementation costs and new regulatory expenses has been significant. In 2024, at least six listed insurers fell below the required solvency capital ratio, with three reporting negative solvency. This has accelerated discussions around market consolidation as a survival strategy for weaker players.
- **Egypt and Morocco:** Regulators are proactively updating capital frameworks in parallel with IFRS 17 adoption. Egypt is developing a risk-based capital (RBC) regime, and Morocco plans a Solvency II-style regime by 2026. This alignment is expected to reduce the volatility of solvency ratios and make excessive risk-taking more transparent.

Product Design and Pricing Implications

The standard has forced a rigorous re-examination of product profitability, leading to shifts in pricing and portfolio strategy.

- **Life Insurance and Long-Term Products**
  - Profit on long-duration contracts is now deferred through the CSM and released over the service period, making new business strain more visible.
  - Insurers are repricing or pulling back from products with insufficient risk margins or overly generous guarantees, which can now show upfront losses.
  - The Variable Fee Approach (VFA) has made participating and investment-linked products more attractive from an accounting standpoint, as it allows investment volatility to be absorbed by the CSM, leading to smoother profits.

- **Non-Life (General) Insurance**
  - While many short-term policies use the simplified Premium Allocation Approach (PAA), IFRS 17 has altered key calculations. Reinsurance commissions, which can no longer be booked as upfront income, are now "netted off against reinsurance premium."
  - This change has shifted net combined ratios, prompting a rethink of reinsurance treaty terms to focus on the economic value of risk transfer rather than accounting boosts.
  - The transparency of IFRS 17 data has made underperformance undeniable, leading to portfolio rebalancing. For instance, motor insurance in the UAE saw rate increases in 2024 after IFRS 17 data clarified the deterioration of combined ratios.

- **Product Mix and Innovation**
  - Insurers are strategically balancing portfolios between short-duration products that boost near-term earnings and long-term products that build a healthy CSM-- a store of future profit.
  - IFRS 17 allows certain acquisition cash flows to be capitalized into the CSM, incentivizing investment in profitable new business, such as bancassurance life products.
  - Pricing actuaries now explicitly model the IFRS 17 profit emergence, aligning product design directly with financial reporting outcomes and instilling a new level of discipline.

Profitability Metrics and Market Comparability

IFRS 17 has recalibrated core profitability metrics, fundamentally changing the income statement while making cross-market comparisons more meaningful than ever before.

- **New Top-Line Metric:** Gross Written Premium (GWP) is no longer the top-line revenue. It is replaced by Insurance Revenue, which represents the earned portion of premiums and includes the release of the CSM. This has generally reduced the top-line figure for life insurers.

- **Redefined Ratios**
  - Combined ratios have shifted due to the new revenue denominator and the introduction of discounting and an explicit risk adjustment for non-financial risk.
  - The effect has been particularly notable for reinsurers, who "have seen a greater impact on combined ratios than the direct market has,"

according to AM Best, largely due to the effects of discounting on long-duration liabilities.

- **Enhanced Comparability**
  - Under IFRS 4, comparing a Saudi insurer to an Egyptian insurer was difficult due to diverse local accounting policies. IFRS 17 provides a common language, meaning a combined ratio of 95% now signifies the same 5% underwriting margin across the region.
  - While analysts note that "comparing results remains complex" in the initial phase due to differing judgments and disclosure quality, the foundation for true peer benchmarking is now in place.

- **Profitability Trends**
  - Despite the changes, overall profit levels have remained robust. Saudi insurers' profitability is expected to remain strong, and the aggregate net profit of listed UAE insurers increased by about 20% in 2024 to AED 2.6 billion.
  - The quality of earnings has improved. The clear split between the insurance service result and the net finance result has exposed instances where insurers were masking underwriting losses with investment income.

Investor Relations and Market Perception

The transition to IFRS 17 has been a major exercise in stakeholder communication, ultimately fostering greater trust and transparency.

- **Initial Challenges:** Insurers made significant efforts to educate investors on the changes. However, delayed reporting by some companies in 2023 initially tested market confidence.
- **Showcasing Strength:** For well-run insurance companies, IFRS 17 has provided an opportunity to highlight a healthy insurance service result, now clearly separated from investment income.
- **New Standardized KPIs:** Investors and analysts are beginning to track new metrics such as CSM trends, new business CSM, and the risk adjustment as a percentage of liabilities, allowing for more sophisticated analysis of future earnings power.
- **Positive International View:** Global investors and credit rating agencies have viewed the transition positively. Fitch noted that the CSM "enables users of IFRS 17 to identify growth opportunities and vulnerabilities within insurers' portfolios more effectively." Egypt's adoption is seen as a move to align with "global reporting standards," potentially attracting more foreign investment.
- **Revealing True Performance:** Ultimately, IFRS 17 has proven to be a double-edged sword: complex at first, but beneficial in revealing the true state of an insurer's profitability and risk profile. Companies that have embraced the standard and demonstrated strong results have seen their market perception improve.

Financial Disclosures and Transparency

A core achievement of IFRS 17 has been a radical improvement in the depth and quality of financial disclosures, providing an unprecedented window into insurers' operations.

- **Key New Disclosures**
  - Reconciliations of contract liabilities (Liability for Remaining Coverage and Liability for Incurred Claims).
  - Roll-forwards of the CSM, showing additions from new business, interest accretion, and releases into profit.
  - Details on the risk adjustment, including methodology and confidence level equivalents.
- **Separation of Results:** The mandatory split between the insurance service result and the investment result has exposed companies with poor underlying performance. This transparency "will expose companies that have been masking poor underwriting performance with strong investment returns."
- **Highlighting Unprofitable Business:** The standard requires immediate recognition of a loss component for onerous (loss-making) groups of contracts. This has shone a light on chronically unprofitable portfolios, such as certain motor or medical insurance lines, forcing management to take corrective action.

- **Improved Governance:** The wealth of new data is feeding into better governance. Boards and audit committees now have the tools to ask more pointed questions about profitability, reserving adequacy (risk adjustment), and the value of new business, elevating the strategic dialogue within companies.

Risk Appetite and Fundamental Shifts in Business Strategy

IFRS 17 has acted as a catalyst for fundamental shifts in business strategy and risk appetite, pushing insurers toward more sustainable and disciplined models.

- **Tighter Underwriting Discipline:** With underwriting performance now transparent, companies have a reduced appetite for writing business at thin margins. Many are setting more stringent profitability targets (e.g. combined ratios below 95%) to ensure the insurance service result is positive.
- **Focus on Asset-Liability Management (ALM):** The introduction of discounted liabilities creates potential earnings volatility from interest rate changes. This has spurred insurers, particularly in the Gulf, to adopt more robust ALM practices, such as matching liability durations with longer-duration bonds and using accounting designations (FVOCI vs. FVPL) to reduce P&L volatility.
- **Strategic Reinsurance:** Reinsurance is now viewed more strategically as a tool to manage P&L volatility. Insurers are using IFRS 17 models to simulate catastrophe impacts and design reinsurance programs that protect against large, immediate losses.
- **Portfolio Rebalancing:** The standard has provided clear insights into which business segments are truly profitable. Insurers are strategically rebalancing their portfolios, investing more in segments that generate a stable CSM (like life insurance) while exiting or repricing volatile lines.
- **Evolving Risk Governance:** Risk appetite statements are being updated to include IFRS 17 metrics. New Key Risk Indicators (KRIs), such as the ratio of new business CSM to premium or the percentage of onerous groups, are being monitored to ensure portfolio health and profitability. This convergence of accounting and risk management has tightened strategic discipline across the industry.

Conclusion

The implementation of the IFRS 17, effective 1 January 2023, is indeed a welcome development, going by the initial signals from the insurance industry. The new accounting Standard, which concerns the measurement of the performance of insurance companies, relies on a set of key performance indicators (KPIs). The scope of these KPIs clearly suggests that IFRS 17 introduces radical and fundamental changes that will overhaul the financial profile of the insurance industry. This transformation was not possible under IFRS 4, which IFRS 17 has rightly replaced. It is expected that the new Standard would ultimately usher in the long-awaited era of uniformity and transparency in the presentation of financial statements in the insurance industry which would greatly enhance insurance transactions across the globe.

The MENA countries, specifically Saudi Arabia, the UAE, Egypt, and Morocco have all keyed into the system and their markets are at various stages of implementation, as they grapple with the challenges associated with a paradigm shift that the IFRS 17 truly represents. In just two years of its implementation, the MENA markets are beginning to reap its benefits, at least by way of improvement in their market perception and an enhanced profile that attracts investors. Indeed, with the continued support from their various supervisory authorities, these markets remain on the right track to eventually aligning their operations with the global reporting standard.

Safeguarding Trust: Why Insurers Cannot Afford to Ignore Data Protection

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Introduction

Key Points: Principles of privacy, regulatory shifts in Africa, risks of ignoring them, and practical steps for a privacy-first culture.

Policies, premiums and claims rely fundamentally on the responsible handling of personal data, often at moments when policyholders are most vulnerable. From underwriting and pricing to claims settlement and customer engagement, insurers routinely process financial, medical and identity information.

Trust in how this data is collected, used, shared and protected is therefore central to the insurer–policyholder relationship and to the broader functioning of the insurance value chain.

This article examines why insurers and reinsurers must treat data protection as a core business capability. It highlights key privacy principles, regulatory developments across Africa, the risks of non-compliance, and practical steps for embedding a privacy-first culture. Across Africa, the privacy landscape is rapidly evolving. As at the end of 2025, nearly 80% of African jurisdictions either had an enacted data protection and privacy framework in force or a draft bill at an advanced legislative stage.[1]

Recent regulatory shifts, such as South Africa's revised POPIA regulations, which tightened consent rules for direct marketing and introduced digital objection mechanisms;[2] and Nigeria's General Application and Implementation Directive (GAID) issued by the NDPC[3] signal a decisive push for stronger accountability and compliance in the handling of personal data, with significant implications for the insurance industry.

For insurers, the implications are clear. Non-compliance with these data privacy laws invites heightened regulatory scrutiny, possible sanctions, and reputational damage, particularly in an industry built on long-term relationships and confidence. The consequences extend well beyond financial penalties. Data protection failures can undermine customer trust at critical moments, disrupt claims handling, compromise data quality used for underwriting and reserving, and weaken confidence among brokers, reinsurers, regulators and business partners. To understand how these regulatory expectations translate into practical obligations, it is first necessary to revisit the core principles that underpin modern data protection laws.

Core Principles of Data Protection

Data protection is not just a legal checkbox; it is the cornerstone of trust in today's digital insurance ecosystem.

At the heart of effective data protection are universal principles that guide how personal information is collected, processed, and safeguarded:

- **Lawfulness, Fairness & Transparency:** Every data journey begins here. Insurers must collect and use personal data legally, fairly, and openly. Transparency – clear communication about how and why data is used – turns compliance into trust.
- **Purpose Limitation:** Data should serve the purpose for which it was collected and nothing more. In practice, this principle reinforces ethical boundaries in an era of aggressive data monetisation, by discouraging the practice of repurposing personal data for secondary uses that are incompatible with the original purpose of collection, unless a valid legal basis is established.
- **Data Minimisation:** Collect only what is necessary. In insurance, where sensitive health and financial data are processed, minimisation reduces exposure and operational risk by serving as a reminder that excess collection increases both risk and responsibility for data processing.
- **Accuracy and Storage Limitation:** Outdated or incorrect data can lead to denied claims or financial loss. Regular reviews and defined retention timelines prevent unnecessary risk and regulatory penalties.
- **Integrity and Confidentiality:** Data security is non-negotiable. Encryption, access controls, and employee awareness programs are critical to safeguarding data against breaches and insider threats.
- **Accountability:** This is the glue that binds all principles. Insurers must demonstrate and not just declare that privacy is embedded in governance, culture, and operations.

The Evolving Data Protection Landscape in Africa

National Developments

Across the continent, data protection has shifted from a theoretical policy aspiration to a tangible governance priority marked by active enforcement, new regulatory instruments, and rising expectations for organisations engaged in digital processing. The European Union's General Data Protection Regulation (GDPR), adopted in 2016, is widely regarded as a global benchmark. Prior to 2016, only 16 African nations had adopted specific data protection laws. By August 2020, that number had risen significantly to 29 African countries.[4]

As of 2025, 40 African countries had enacted data protection laws, signalling that privacy has evolved from a policy conversation to a structural component of national digital economies. Out of the remaining African countries, some of them, such as Namibia, Gambia, and South Sudan, are in the process of enacting their own data protection laws. In addition, as cross-border operations expand and data flows intensify, regulators are issuing more granular directives, sectoral regulations, and enforcement frameworks to address emerging risks.

Recent regulatory developments include:

- **Nigeria (2025):** In March 2025, Nigeria's Data Protection Commission issued the General Application and Implementation Directive (GAID)

2025 which repealed the former Nigerian Data Protection Regulation (NDPR). GAID 2025 expanded obligations for data controllers and processors of major importance, clarified lawful bases for processing, strengthened Data Protection Officer (DPO) duties, and introduced semi-annual audit and reporting obligations.[3]

- **South Africa (2025):** South Africa's Information Regulator amended the regulations relating to the Protection of Personal Information Act (POPIA) in April 2025, introducing stricter rules requiring explicit, recorded consent for direct marketing, multi-channel data subject objection and correction mechanisms (SMS, WhatsApp, email, phone), etc.[5]
- **Ethiopia (2024):** In July 2024, a comprehensive personal data protection law was promulgated when the Ethiopian House of Peoples' Representatives (Parliament) adopted the Personal Data Protection Proclamation No. 1321/2024. It had been awaiting approval since 2020.[6]

These developments reflect a clear shift toward stricter enforcement and regulated control over personal data. For insurers operating across multiple African jurisdictions, differences in regulatory scope, supervisory emphasis, and enforcement approaches present both challenges and opportunities. For example, while major data protection laws across the region share core requirements, they vary in areas such as breach notification obligations and regulatory oversight. In markets where digital trust is still emerging, a company can differentiate itself with strong data governance through clear ownership, consistent controls, and effective oversight.

Pan-African Initiatives

Across Africa, there is growing recognition that effective data protection cannot be achieved if each country acts in isolation. This has driven efforts to establish shared continental reference points for privacy and data governance. At the African Union level, the Malabo Convention provides a common framework for cybersecurity and personal data protection, intended to safeguard personal data across Africa. Alongside this, a number of Pan-African and regional initiatives have emerged to support cooperation, regulatory dialogue, and practical convergence. These include platforms that enable regulators to exchange experiences, coordinate approaches to cross-border issues, and strengthen institutional capacity. Within this broader landscape, the Network of African Data Protection Authorities (NADPA-RAPDP) functions as a coordination forum for national authorities, promoting cooperation through regulatory dialogue, joint engagements and shared capacity-building initiatives, while making Africa's voice heard in its dealings with partners around the world.

Beyond NADPA, bilateral and regional partnerships have deepened this momentum. Data protection authorities across various countries are signing cooperation agreements and synchronising training programmes. For insurers operating across multiple jurisdictions, increased regulatory cooperation and alignment can reduce duplication in compliance efforts by enabling the use of common governance practices and shared controls. As pan-African initiatives continue to strengthen, the industry will operate in an ecosystem where privacy excellence becomes an expectation rather than a differentiator.

The Cost of Getting it Wrong: Ramifications of Non-Compliance

Enforcement Trends

Across Africa, data protection and privacy legislation has moved decisively from a policy aspiration to a binding legal obligation.

Insurance operations are inherently data-intensive and cross-border. Personal data routinely flows through multiple touchpoints in the insurance lifecycle including underwriting submissions, Know Your Customer (KYC) processes, claims bordereaux, actuarial analyses, retrocession arrangements, HR systems, cloud platforms and third-party administrators. As a result, insurers, particularly reinsurers, are often exposed to multiple overlapping national regimes simultaneously, even where they have no physical presence in a jurisdiction.

Recent legislative developments, including new or modernised statutes in countries such as Nigeria, Malawi, Somalia and Botswana, demonstrate three consistent regulatory themes. First, regulators are asserting extraterritorial reach, capturing entities that process data relating to residents, regardless of where processing takes place. Second, there is increasing emphasis on lawful cross-border transfers, with conditions tied to adequacy, regulatory approval, contractual safeguards or explicit consent. Third, enforcement powers and penalties are becoming more explicit, with reputational consequences often outweighing formal fines.

For industry players, the risk profile is therefore multidimensional. A data protection failure may trigger regulatory sanctions, contractual disputes with reinsurers, cedants or brokers, operational disruption following cyber incidents, and reputational damage that undermines trust in long-term market relationships. Importantly, these risks can crystallise even in jurisdictions where enforcement capacity remains limited today, as supervisory authorities continue to mature.

Against this backdrop, data protection should be treated as a core operational and governance risk, integrated into enterprise risk management frameworks rather than siloed as a legal or IT issue.

Enforcement in Practice: Early Signals from Complaints and Sanctions

Alongside this expanding legal framework, regulators are beginning to drive enforcement through complaints, investigations and targeted sanctions, particularly in sectors that handle large volumes of sensitive personal data. Insurance has emerged as one such focus area, given the routine processing of financial, health and identity information across underwriting, claims and third-party arrangements.

While large-scale penalties against insurers remain uncommon, recent cases indicate a clear shift from purely advisory supervision towards complaint-driven enforcement and remedial action. Kenya provides one of the clearest early examples, with the Kenya Office of Data Protection Commissioner (ODPC) issuing determinations against insurers that include enforcement directions, corrective measures and compensation awards. The regulator has further exhibited a commitment to addressing non-compliance by imposing administrative penalties. Notably, the largest fine levied against an insurer to date reportedly reached KES 1.8 million (approximately US$12,000) in 2024.[7]

Although this fine may appear modest, it is noteworthy that enforcement actions in other financial and data-intensive sectors across Africa indicate a potential trajectory as supervisory capabilities continue to mature. For example, in 2022 the Angolan data protection authority imposed a sanction of approximately US$525,000 on a bank for failing to safeguard employee data,[8] while in 2024 the Nigeria Data Protection Commission levied a fine of ₦555.8 million (approximately US$360,000) against a Nigerian bank for processing personal data without a valid lawful basis.[9] These cases, brought under modern data protection regimes, demonstrate that regulators are increasingly prepared to impose material financial penalties where governance and control failures are identified. For insurers, these developments underline that enforcement risk is no longer theoretical: even minor sanctions have the potential to cause significant reputational and operational impacts.

Data Protection Risks

Beyond fines, non-compliance with data privacy rules exposes insurers to complex risks, especially given the cross-border nature of their operations. The table below outlines key risk categories and their impacts.

Table 1: Summary of data protection risk categories

Risk category	How the risk arises	Potential impact on insurers
Legal and regulatory	Breach of national data protection laws, extraterritorial application, failure to meet regulatory requirements	Fines, enforcement actions, corrective orders, suspension of processing activities, civil litigation
Financial	Regulatory penalties, remediation costs, operational disruption following enforcement or breaches	Direct financial losses, increased compliance costs, loss of revenue, business interruption, delayed claims settlement
Reputational	Publicised data breaches, regulatory action, or poor data governance practices	Loss of trust among policyholders, cedants, brokers and regulators; negative media coverage; long-term brand erosion
Operational and technology	Weak controls over systems, access rights, third-party processing and cybersecurity	Data breaches, cyberattacks, fraud, disruption to underwriting, claims and actuarial processes
Contractual and commercial	Breach of data protection clauses in insurance, reinsurance or outsourcing agreements	Contract termination, indemnity claims, exclusion from preferred panels, reduced market competitiveness
Strategic and governance	Persistent control weaknesses or inadequate board oversight of data risks	Increased regulatory scrutiny, adverse stakeholder or rating-agency assessments, constrained strategic flexibility

As regulation intensifies and data flows become more interconnected, insurers must ensure strong oversight and embed data protection firmly within enterprise risk management across the insurance value chain.

Practical Guidance for Building a Privacy-First Insurance Culture

A privacy-first culture is not a passing compliance trend. It represents a strategic change in how insurers approach accountability, risk management, technology, people, and the movement of data across borders.

Accountability and Governance

A privacy-first insurance culture begins with clear accountability and governance. Across African markets, data protection regulators require organisations whose processing activities meet defined regulatory thresholds to appoint a Data Protection Officer (DPO). However, effective privacy management demands that responsibilities are clearly established and cascaded from the Board and senior management through to accountable process owners and champions across departments.

In this model, the Board sets the tone and provides oversight, senior management ensures implementation and resourcing, and business and operational teams take ownership of data-driven processes within their respective functions. Positioning the DPO at a senior level supports this structure by enabling effective escalation and coordination across the organisation. Privacy responsibilities are embedded across the three lines of defence, ensuring that risk ownership, oversight, and assurance are clearly defined. A documented Data Protection Framework serves as the central reference point to formalise this governance structure, clarify roles and responsibilities, and integrate privacy into broader enterprise governance arrangements. When accountability is visibly owned at leadership level and reinforced through this structure, privacy moves beyond a siloed compliance obligation and becomes an organisational capability that supports stronger decision-making, clearer reporting, and improved cross-functional collaboration.

Risk Management

Risk management is at the heart of insurance, and personal data should be treated as a critical asset class within that framework. A privacy-first insurer integrates data protection risks into its enterprise risk management (ERM) processes, alongside claims volatility, liquidity risk, and operational disruption.

In Mauritius, for example, insurers are required under formal risk management rules to identify and manage material risks, including those arising from IT systems and data security, through board-approved frameworks and regular reporting[10]. Similarly, the National Insurance Commission in Ghana has issued cybersecurity directives that emphasise governance, executive accountability, and oversight of technology and data-related risks[11]. Embedding privacy within ERM allows insurers to quantify exposures, conduct data protection impact assessments (DPIAs) for high-risk processing, and model regulatory and operational scenarios.
In this environment, a data breach is no longer an unpredictable crisis; it is a managed risk event for which the organisation has planned, tested, and allocated responsibility.

Technology and Security
Technology is a critical enabler of a privacy-by-design model, supporting both the protection of personal data and the effective operation of privacy processes. Robust security controls form the foundation for safeguarding personal data against loss and unauthorised access. These include encryption of data at rest and in transit, role-based access controls that limit access to personal data based on functional need, and baseline controls such as multifactor authentication, logging, and vulnerability management.

Beyond security, privacy-specific technologies play an increasingly important role in enabling day-to-day privacy operations. These include tools to manage data subject rights requests, maintain records of processing activities, support data protection impact assessments, and track consent and retention obligations. Privacy-enhancing technologies, such as data masking, anonymisation, and pseudonymisation, further support lawful data use while reducing privacy risk.

Together, security and privacy technologies enable organisations to demonstrate "appropriate technical and organisational measures" required across various privacy laws in Africa, while also improving the efficiency, consistency, and scalability of privacy operations. This balanced approach helps insurers meet regulatory expectations, reduce operational friction, and maintain customer trust as data protection requirements continue to evolve.

Training and Awareness
Training and awareness are critical enablers for embedding data protection into day-to-day insurance operations. While general privacy awareness provides an essential baseline, it is rarely sufficient on its own. As organisations mature, privacy risk increasingly arises from routine operational decisions made across different functions.

Effective training programmes therefore need to evolve from broad awareness initiatives toward structured, role-based training anchored in real insurance workflows. For example, sales teams need to understand that personal data collected for servicing a policy should not be repurposed for marketing or promotional outreach without a valid lawful basis. Underwriting teams require clarity on the boundary between data collected for legitimate risk assessment and what constitutes excessive data collection. Customer service teams should be equipped to recognise when consent is required, when alternative lawful bases apply, and how to explain data protection rights clearly and consistently to customers.

Governance and leadership roles also require targeted training. Boards and executive management should receive periodic briefings that link privacy exposure to business risk, accountability, and decision-making, reinforcing leadership ownership of data protection outcomes.

For training to be effective, it must be deliberately planned, role-specific, and delivered on a recurring basis. Structured training programmes should be refreshed regularly, at least annually, to reflect regulatory developments, emerging risks, and lessons learned from incidents, audits, and supervisory feedback.

Cross-border Data Transfer
Insurance operations are inherently global: reinsurance arrangements, group structures, cloud infrastructure, and offshore analytics frequently require personal data to move across jurisdictions.

These transfers attract heightened regulatory scrutiny. Under various Data Protection Acts from Nigeria, Kenya, and Ghana, amongst others, personal data may only be transferred outside the country where the receiving jurisdiction provides adequate protection or where appropriate safeguards such as Standard Contractual Clauses, Binding Corporate Rules, etc. are in place. For insurers, compliance requires a clear understanding of data flows, careful assessment of partner jurisdictions, and the consistent use of legally compliant transfer mechanisms in contracts with brokers, reinsurers and technology vendors. Proper documentation and governance are essential to demonstrate accountability to regulators.

Embedding Data Protection Principles into Insurance and Reinsurance Operations

For African insurers, compliance with data protection and privacy laws is ultimately realised not through policy statements alone, but through day-to-day operational practices across underwriting, claims, broking and third-party relationships. Translating legal principles into practical controls is therefore critical.

Claims Handling and Operational Processing

Claims operations typically involve the processing of personal and sensitive personal data, including health information, financial records, identification documents and, in some cases, third-party data. To align with data protection principles:

- **Data minimisation and purpose limitation** should be embedded into claims workflows, ensuring that only information strictly necessary to assess and settle claims is collected and retained, and that data is not reused for unrelated purposes without a lawful basis.
- **Retention schedules** should be clearly defined, balancing regulatory, contractual and litigation requirements against the obligation not to retain personal data longer than necessary.
- **Access controls and role-based permissions** should be applied to limit claims data visibility to authorised personnel only.

Broker, Insurer and Reinsurer Data Sharing

The insurance value chain relies on structured data flows between cedants, brokers and reinsurers, often across multiple jurisdictions. Effective compliance requires:

- **Clear data sharing and processing agreements** that define roles (controller vs processor), permitted uses of data, security standards and incident notification obligations.
- **Explicit consideration of cross-border data transfer requirements,** including whether regulatory approval, contractual safeguards or other transfer mechanisms are required under applicable laws.
- **Regular review** of bordereaux, submissions and claims files to ensure they do not contain excessive or unnecessary personal data.

Consent Management and Lawful Processing

While consent is not always the primary lawful basis in insurance and reinsurance, it remains relevant in certain contexts:

- Where consent is relied upon, it must be informed, specific, freely given and documented, with mechanisms to record, manage and withdraw consent where required.
- Alternative lawful bases such as contractual necessity, legal obligation or legitimate interest should be clearly articulated and documented within internal procedures and privacy notices.

Handling Data Subject Rights

Modern data protection laws increasingly provide individuals with enforceable rights, including access, rectification, erasure and objection. Operational readiness requires:

- **Defined internal processes** to receive, assess and respond to data subject requests within statutory timelines.
- **Clear escalation protocols** where requests intersect with claims disputes, fraud investigations or legal holds.
- **Staff training** to ensure requests are recognised and handled consistently across departments.

Due Diligence on Brokers, (Re)Insurers and Service Providers

Third parties represent one of the most significant sources of data protection risk for insurers. A proportionate due diligence framework should include:

- **Pre-engagement assessments** of brokers, co-insurers, reinsurers, retrocessionaires, third party administrators (TPAs), loss adjusters, cloud providers and other service providers, focusing on governance, security controls and data handling practices.
- **Contractual clauses** covering data protection compliance, audit rights as applicable, subcontracting, breach notification and termination.

- **Ongoing monitoring** and periodic reassessment, particularly where services involve cross-border processing or large volumes of personal data.

Operational Accountability and Oversight
To ensure consistency and sustainability:

- Data protection **responsibilities should be clearly allocated** across business, IT, risk and compliance functions.
- **Key operational metrics** (e.g. incidents, third-party breaches, unresolved data subject requests) should be reported to senior management and, where appropriate, the board.
- **Data protection considerations should be integrated** into product development, digitalisation initiatives and outsourcing decisions, rather than treated as a post-implementation check.

Integrating these key principles into insurance operations helps to build a privacy-first culture that goes beyond regulatory compliance. This approach strengthens customer trust, reduces operational and regulatory risk, and positions insurers for long-term resilience in a data-driven industry. In a world where personal data is both the fuel of insurance operations and one of their greatest vulnerabilities, privacy-first organisations will be better equipped to compete, innovate, and sustain trust.

Conclusion

Ultimately, the key lesson is unmistakable: safeguarding trust is not merely good practice, it is the foundation of the future of insurance. As the industry becomes increasingly data-driven, privacy and data protection will move beyond compliance checklists to become strategic pillars that determine which insurers thrive and which fall behind. The organisations that lead will be those that treat personal data with the same discipline and importance as capital, solvency, and policyholder obligations.

To remain relevant, compliant, and resilient, insurers must invest rather than react. Investment in robust data governance, skilled and empowered DPOs, secure technologies, continuous staff training, and stronger oversight of third parties is no longer optional. These measures are not regulatory burdens; they are the building blocks of sustainable competitiveness. Acting early and decisively protects more than regulatory standing, it safeguards the confidence of policyholders who entrust insurers with their most sensitive information and rightly expect responsible stewardship. The path forward is clear: insurers must embed privacy into strategy, culture, and day-to-day operations, recognising it as a driver of trust and long-term value creation. Those who act now will not only reduce regulatory exposure; they will differentiate themselves in increasingly competitive markets and help shape a more secure, trusted future for Africa's insurance ecosystem.

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Artificial Intelligence and Talent Management

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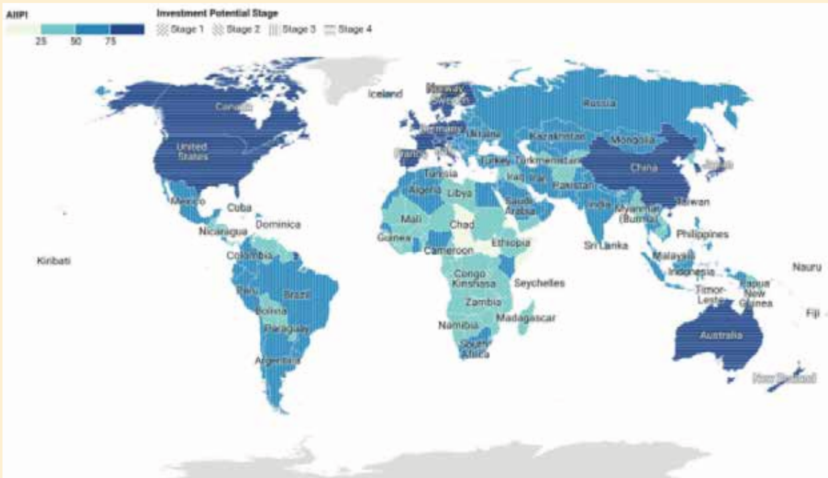
Introduction

Artificial Intelligence (AI) refers to computer systems that perform tasks that typically require human intelligence. Over the past decade, the adoption of AI has surged globally, driven by growing industry demand and technological advancements that enhance productivity. The AI Index Report[1] indicates that AI now surpasses humans in image cataloging, visual cognition, and English comprehension. However, it still lags behind in complex tasks, such as competition-level mathematics and visual commonsense reasoning. This gap has prompted corporations to expand AI investments, as reflected in Figure 1 and the AI Investment Potential Index 2025[2].

Figure 1: AI Investment Potential Index 2025 in the World



Source: *Addo P.M. et al (2025, March 4). AI Investment Potential Index 2025.*

Africa currently holds 3 per cent of the global AI talent pool[3], primarily due to over 83 per cent of AI startup funding in Q1 2025 being allocated to Kenya, Nigeria, South Africa and Egypt. Building on this, data from the AI Investment Potential Index[4] (Figure 2) shows that most African countries fall below the global average index of 49.68. This gap

*. *This article is written on a personal level.*

[1] *Nestor Maslej, Loredana Fattorini, Raymond Perrault, Vanessa Parli, Anka Reuel, Erik Brynjolfsson, John Etchemendy, Katrina Ligett, Terah Lyons, James Manyika, Juan Carlos Niebles, Yoav Shoham, Russell Wald, and Jack Clark, "The AI Index 2024 Annual Report," AI Index Steering Committee, Institute for Human-Centered AI, Stanford University, Stanford, CA, April 2024 from https://hai-production.s3.amazonaws.com/files/hai_ai-index-report-2024-smaller2.pdf*

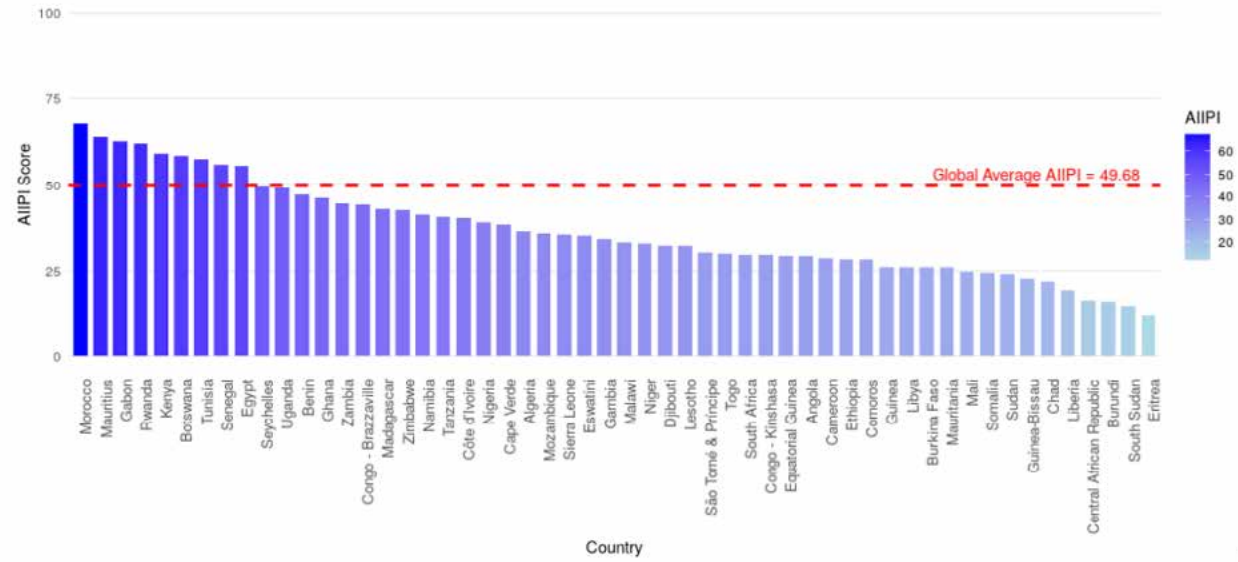
[2] *Addo P.M. et al, (4th March 2025). AI Investment Potential Index 2025, Unlocking Equitable Opportunities for Global AI Growth, from, https://www.afd.fr/sites/afd/files/2025-02-10-13-23/PR342_VA_Web.pdf*

[3] *African Union Commission (2025 May 17). Press Release. Leveraging Artificial Intelligence (AI) for Africa`s Prosperity and Collaboration. https://au.int/sites/default/files/pressreleases/44783-pr-Final_PR_AI_for_Africa_REVISED.pdf*

[4] *Ibid*

presents an opportunity for corporations across Africa to leverage AI and enhance their operations, including talent management and other key areas.

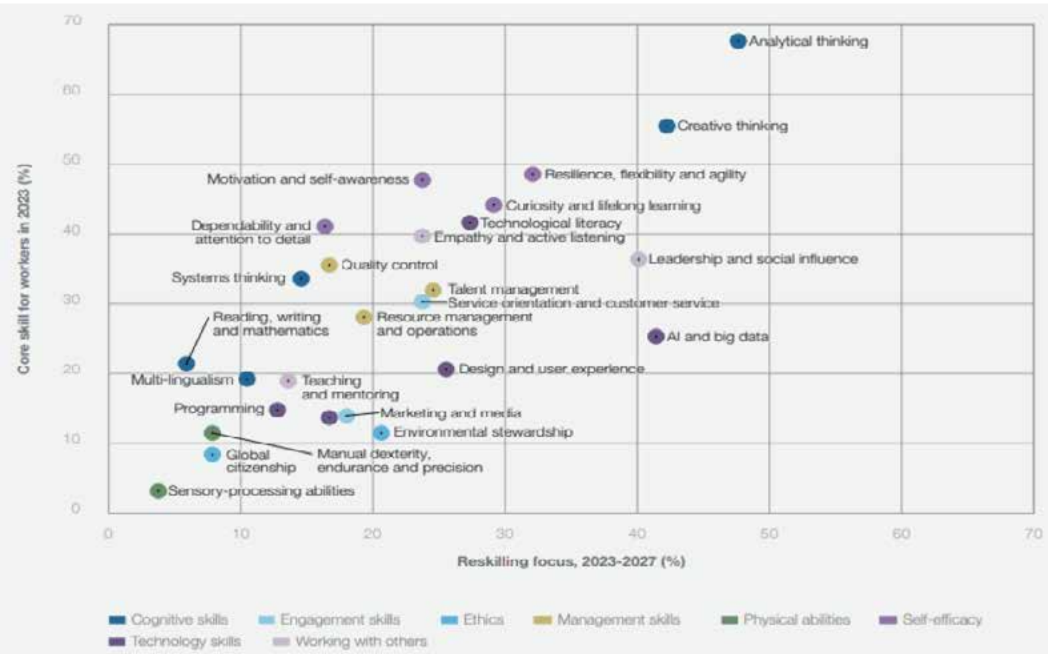
Figure 2: AI Investment Potential Index 2025 in Africa



Source: *Addo P.M. et al (2025, February). AI Investment Potential Index 2025.*

Furthermore, the World Economic Forum (WEF)[5] reports that 44 per cent of core skills will change over the next five years (2023-2027). In response to the future of jobs during this period, corporations will prioritize upskilling and reskilling in analytical thinking (10 per cent), supported by AI, as well as promoting creative thinking (8 per cent), with human intervention in their training.

Figure 3: The evolving skills landscape, 2023-2027.



Source: *WEF (2023 May). Future of Jobs Report.*

[5] *WEF (2023 May). Future of Jobs Report, from https://www3.weforum.org/docs/WEF_Future_of_Jobs_2023.pdf*

The adoption of artificial intelligence will require workers to upskill and reskill by learning new skills or refreshing existing ones to keep pace with technological changes. This learning can occur on the job or through alternative pathways, such as becoming Skilled Through Alternative Routes (STARs)[6]. These efforts present an opportunity for employees to transition into new middle- and higher-level roles across corporations. Specifically, workers will need to enhance their skills in analytics. Therefore, the adoption of AI presents an opportunity for upskilling and reskilling.

In the light of these developments, this article examines the trends and opportunities in leveraging AI by corporations to promote talent management, explores the challenges and mitigating measures associated with adopting AI for Talent Management highlights the African AI governance and regulation landscape, and draws lessons for corporations in Africa on enhancing efficiency.

AI adoption for Talent Management

AI enhances employee productivity and corporate efficiency, saving time, increasing revenue, reducing costs, and allocating resources to tasks requiring human input. Furthermore, talent management oversees human capital from attraction to retention within corporations, encompassing recruitment, skills matching, employee development, and training that support corporate goals. These objectives are met through skills analysis, training, career advancement, coaching, performance management, and job enrichment/enlargement.

Talent management in corporations consists of traditionally laborious and complex steps. In today's digital age, HR automation demands the adoption and integration of AI-enabled tools. This strategy streamlines and accelerates talent management, creating value.

Indeed, a survey by Mir (2024, July 31) reveals that some of the corporations that have embedded AI integration for talent management are Uniliver, IBM, Hilton Hotels, Siemens, and Google. They have successfully deployed AI-driven tools such as Hirevue, Pymetrics, IBM Watson Recruitment, Predictive Analytics, Chatbots (computer programs designed to simulate conversation with users), AI Video Interview Analytics, AllyO, AI-Powered Screening Algorithms, AI-Powered Matching Algorithms, and AI-Powered Tools for Bias Detection. Furthermore, the World Economic Forum's AI-driven global skills taxonomy[7] reveals that corporations can map and connect skills, thereby enabling them to identify skills gaps with corresponding opportunities for upskilling and reskilling, which promotes talent development within corporations. Skills First[8] is an approach to talent management that emphasizes attraction, hiring, and talent development. For example, in 2021, 40 per cent of recruitments on LinkedIn[9] utilized skills data to fill new positions.

Despite the promising potential for AI in talent management—with 33 per cent of corporations having adopted AI and machine learning tools for this purpose—only 16 per cent effectively utilize HR technology to achieve corporate outcomes. Meanwhile, the majority remain in the early stages of talent analytics adoption[10]. The status of AI adoption across specific talent management processes is summarized in Box 1.

[6] *Opportunity at Work (2024), https://opportunityatwork.org/stars/*

[7] *WEF (2024, November 28), Global Skills Taxonomy from https://www1.reskillingrevolution2030.org/skills-taxonomy/index.html*

[8] *Singhania A. (2023, January 17). 5 ways a 'skills-first' approach unlocks access to future jobs, from https://www.weforum.org/stories/2023/01/5-ways-skills-first-approach-unlocks-access-to-jobs-davos-2023/*

[9] *Kimbrough K. (2022, March 29). A Skills-First Blueprint to Better Job Outcomes, from https://www.linkedin.com/pulse/skills-first-blueprint-better-job-outcomes-karin-kimbrough/?trk=article-ssr-frontend-pulse_little-text-block*

[10] *Mir (2024, July 31) Application of AI in Talent Management: A systematic Review of Benefits, Challenges and Prospects. Academy of Education and Social Science Reviews, 4(4), 612-630, https://journals.irapa.org/index.php/aessr/article/view/941/445*

Box 1: Status of AI Adoption for Talent Management

Recruitment and selection applications
- AI-driven resume screening and analytics
- Video interview systems
- Candidate-organization fit assessment
- Industry job advertisement optimization
- New job profile creation
- Automated initial screening processes
- Machine- learning-based candidate evaluation

Performance analysis systems:
- Mathematical programming for competency optimization
- Predictive modelling for work performance
- Recruitment decision models acceptance/rejection prediction)
- AI-enabled biometrics in recruiting
- Performance tracking and analysis tools

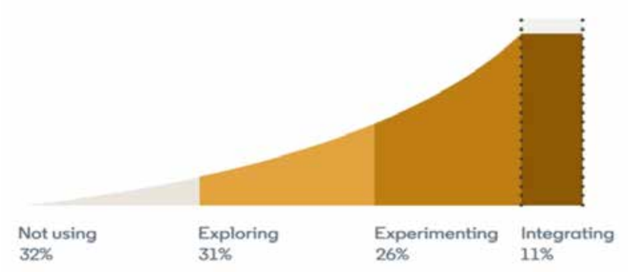
Development and training systems
- Personalized learning platforms
- Training effectiveness assessment tools
- Customized development pathway creation
- Skill gap analysis systems

Strategic implementation areas
- Big data processing capabilities
- Resource optimization systems
- Rapid decision-making tools
- Data-driven strategic planning
- Integration with existing HR systems

***Source:** Mir (2024, July 31) Application of AI in Talent Management: A systematic Review of Benefits, Challenges and Prospects.*

On recruitment processes, for example, the 2025 Future of Recruiting report reveals that the majority (63 percent) of HR practitioners using LinkedIn are either not using or exploring the use of AI for recruitment purposes, as shown in Figure 3.

Figure 3: AI adoption in the recruitment process



***Source:** LinkedIn (2025, March 5). How AI redefines recruiting excellence.*

Benefits and Challenges of AI Implementation for Talent Management

Most key sectors of the African economy lack a sufficient number of skilled workers, including those trained in AI, to address today's business challenges. Rapid advances in technology exacerbate this gap. Even as important as the insurance sector is, as a catalyst of economic development, it has not fared any better. This is why it is essential to train workers to be prepared for future jobs and equip them with the skills necessary to support them as they navigate a business terrain that promises to be ever so challenging. The reinsurance industry is one of the sectors that urgently requires such intervention.

Accordingly, the WEF Future of Jobs Report 2023 – 2027 affirms that 81 per cent of corporations intend to promote investment in learning and training on the job and accelerate their automation processes (80 per cent). It is essential, therefore, for corporations to adopt mechanisms that promote the upskilling and reskilling of their employees to mitigate job and skill disruptions to their operations, while fostering growth and resilience.

The adoption of AI for talent management presents both benefits and challenges. For example, Biradar et al (2024) found that AI-driven recruitment tools reduce the time to hire and costs, improve accuracy and retention, and enhance diversity. On the other hand, the main challenges involve data privacy and algorithmic bias. Table 1 summarizes the benefits and challenges of AI in talent management.

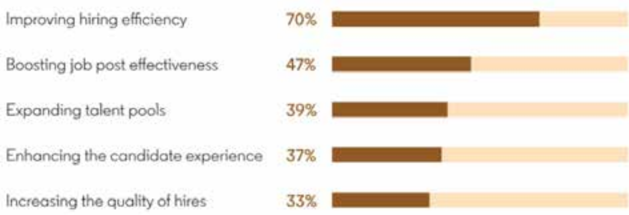
Table 1: Benefits and Challenges of AI Implementation for Talent Management

Benefits	Challenges
Operational Efficiency ▪ Massive data processing capability ▪ Reduced time-to-hire metrics ▪ Cost reduction in hiring processes ▪ Automated resume screening ▪ Enhanced candidate pool management ▪ Resource allocation optimization	**Technical challenges** ▪ AI system complexity ▪ Black box decision making ▪ Lack of interpretability ▪ Transparency issues ▪ Integration difficulties ▪ System maintenance requirements ▪ Data quality concerns
Decision quality improvement ▪ Standardized assessment processes ▪ Enhanced reliability in evaluations ▪ Consistent evaluation criteria ▪ Predictive analytics ▪ Performance Prediction capabilities ▪ High-potential identification ▪ Succession planning	**Ethical and trust issues** ▪ Algorithmic bias risks ▪ Discrimination concerns ▪ Legal compliance issues ▪ Privacy regulation adherence ▪ Transparency requirements ▪ Trust deficits ▪ Decision control concerns
Personalized development ▪ Customized training programs based on current skill levels ▪ Learning preferences career aspirations ▪ Performance data ▪ Development potential ▪ Enhanced learning outcomes ▪ Improved employee engagement ▪ Knowledge-sharing platform effectiveness ▪ Higher satisfaction rates ▪ Lower turnover rates	**Human dimension challenges** ▪ Resistance to change ▪ Employee skepticism ▪ Cultural resistance ▪ Loss of human touch ▪ Empathy concerns ▪ Interpersonal connection maintenance ▪ Cultural fit assessment accuracy ▪ Training (upskilling/ reskilling) requirements ▪ Resource allocation issues
Strategic workforce planning ▪ Predictive workforce needs analysis ▪ Proactive skill gap identification ▪ Real-time engagement monitoring ▪ Retention strategy development ▪ Early intervention capabilities ▪ Data driven decision making ▪ Resource optimization	**Implementation barriers** ▪ Professional training needs ▪ System alignment with goals ▪ Resource constraints ▪ Change management requirements ▪ Stakeholder buy-in ▪ Integration with existing processes ▪ Cost considerations

Source: *Mir (2024, July 31) Application of AI in Talent Management: A systematic Review of Benefits, Challenges and Prospects.*

Other benefits that can be attributed to the adoption of AI in the recruitment process are shown in Figure 4.

Figure 4: Top Expected Benefits of AI adoption in the recruitment process

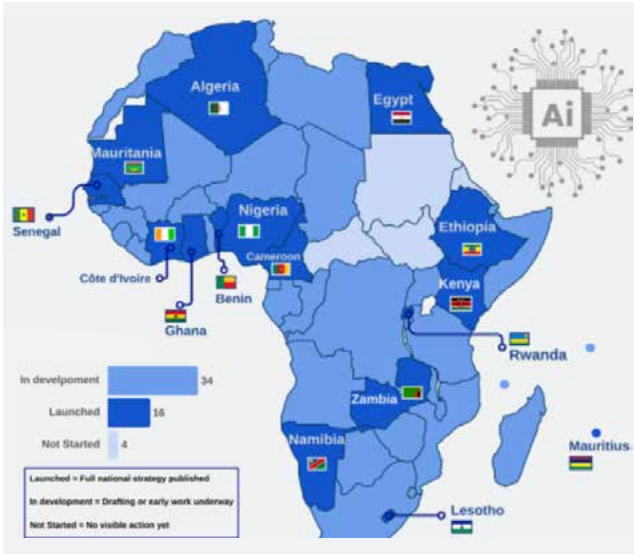


Source: *LinkedIn (2025, March 5). How AI redefines recruiting excellence.*

Africa AI Governance and Regulations Landscape

Africa's AI compute capacity accounts for about 1 per cent of the global total. Recognizing the ability of AI to transform Africa and support the attainment of Agenda 2063 Aspirations and the Sustainable Development Goals and to fast-track the implementation of the African Union Continental Strategy on AI (2024)[12], the African Union Commission (AUC)[13] has called upon all African countries to develop AI policies and regulations aligned to the provisions of the AU Africa AI Strategy. These measures are intended to foster knowledge sharing and promote AI growth across the continent. In this regard, the AUC has developed a five-year development plan to support member states in integrating AI into their national development plans, with the aim of, among other things, implementing legal and regulatory frameworks to safeguard against AI biases and misuse in the era of AI.

The development and implementation of country-specific AI strategies have been progressing, with 16 out of 54 African countries having launched their national AI strategies as of July 2025, as shown in Figure 5. African countries should leverage the AUC's call for country-specific AI strategies, coupled with the ratification of the Malabo Convention on Cybersecurity and Personal Data Protection[14], which aims to strengthen operational AI regulation in Africa.



Source: *Intelpoint (August 2025). https://intelpoint.co/insights/only-16-african-countries-have-launched-national-ai-strategies-as-of-july-2025/.*

In line with the European Union's General Data Protection Regulation[15], the development and implementation of national regulations must ensure that AI is developed and implemented in a responsible manner. This is crucial, given the existing challenges in data protection across many countries in Africa.

Lessons for African Corporations

AI offers African corporations various opportunities. The increasing use of AI for talent management signals a need to strike a balance between investing in AI tools and collaborating with governments to develop regulations and address AI-related challenges.

This is because by investing in AI tools for talent management, African corporations can ensure that their workforce remains agile, data-driven in decision-

[12] *See Abiero et al (2024, December 20). An In-Depth Analysis of the AU -AI Continental Strategy and Implications on AI Governance in the Continent. https://cipit.strathmore.edu/an-in-depth-analysis-of-the-au-ai-continental-strategy-and-implications-on-ai-governance-in-the-continent/.*

[13] *African Union Commission (2025 May 17). Communique Leveraging Artificial Intelligence for Africa`s Development, Prosperity and Collaboration. https://au.int/sites/default/files/pressreleases/44784-pr-Communique-_High_Level_Policy_Dialogue_on_the_Development_and_Regulation_of_AI_in_Africa_Final_endorsed.pdf*

[14] *AUC Zzzz https://au.int/sites/default/files/treaties/29560-treaty-0048_-_african_union_convention_on_cyber_security_and_personal_data_protection_e.pdf*

[15] *European Union, General Data Protection Regulations. https://eur-lex.europa.eu/eli/reg/2016/679/oj/eng*

making and prepared for the future of work. AI tools would enhance employees' innovation, and better equip them with necessary skills to effectively respond to client needs and drive industry growth. Corporations will need to conduct a cost-benefit analysis to evaluate the value for money of investing in AI to promote efficient talent management. Furthermore, it is worth noting the progress in African corporations' adoption of AI for talent management, as well as in the rest of the world where AI has been widely integrated into talent management. Therefore, a significant balance between technological efficiency and human judgment is crucial for fair and effective hiring practices, which will be important during the transition to the adoption of AI for talent management.

The reinsurance industry is integrating digital technologies; prioritizing national regulations is therefore crucial for anchoring emerging AI tools within national regulations to mitigate litigation. This approach aligns the AI tools with national policies and labour laws, while addressing the challenges inherent in AI.

African corporations and employees will need to acquire new skills in data analytics, artificial intelligence, and machine learning. They also need skills in advanced risk modeling, underwriting, actuarial science, and emerging technologies. These areas are transforming the way risk management firms, especially insurance and reinsurance companies assess and manage risks.

Conclusion

Given the diversity of the African market, where infrastructure and connectivity issues vary significantly across countries, African corporations should leverage the opportunities offered by AI while ensuring that their employees have access to the necessary technology and connectivity to perform their duties remotely.

AI offers transformative opportunities for talent management, but successful implementation requires a balanced approach that takes into account both technological and human factors, as well as ethical considerations. The future of AI in talent management hinges on navigating these complexities while prioritizing efficiency and human-centered values.

Getting the Organization to Learn: Transforming Staff Ingenuity into Corporate Best Practices

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Introduction

From late 2012 up to the end of April 2013, the African Reinsurance Corporation (Africa Re) embarked on an experiment involving weekly internal workshops with the participation of about half of the staff across all its operating countries. The objective of the exercise was to address foundational business topics and ultimately come up with a strategy plan to support and drive the corporation's expanding operations. The issues debated included the company's mission, set of clients and partners, core competences, market share, opportunities, challenges and more. These are familiar go-to business strategy themes, dating as far back as the 1950s, with extensive academic developments **(1).** The novelty in Africa Re's approach to the study, however, lies in the way it addressed the fundamental business concerns of the organization. At the end of the day, the workshops produced a blueprint on corporate strategy that was quite unique. Indeed, the strategy development exercise serves as an example of 'organizational learning', which is the focus of this article, and would be discussed in detail, using Africa Re's experience as an illustration.

A novel approach to strategy development

Over the course of the strategy workshops, Africa Re pooled data from cross-function and cross-hierarchy teams. The collated information was analysed to produce the Corporation's 5th 5-year strategic plan (2014-2018), the first "grassroots" strategy formulation in the company's history. This original approach to strategy development–dubbed "bottom-up inclusive"–was initiated by Dr Corneille Karekezi, Africa Re Group CEO, who theorized and documented the exercise in his doctoral action research work **(2).**

At periodic 3 or 5-year intervals, since the production of the 2014-2018 strategic plan,the "bottom-up inclusive" approach has been repeated to arrive at a refreshed or newer strategic plan. The approach is tweaked at each iteration to meet the peculiarities of the moment. For instance, by running shorter and remote workshops (during the pandemic period), by having fully in-house sessions without external facilitation, or by engaging an external consultant to provide an "outside-in" critical assessment. Every time, however, the "bottom-up inclusive" ethos remains.

Today, more than a decade later, it is fair to say that Africa Re has learned to develop corporate strategy in its own unique way. Analytically, what occurred is indeed a process of "organizational learning": the mutation of an individual's spark of genius into a corporate routine. But who exactly does the learning? The staff or the business? And, if the latter, does the new knowledge persist or peter out over time?

The people vs the organization

Learning by individuals–and to an extent teams–is a readily tractable topic. Learning by organizations is less so… at least that is how it seems.

For businesses, the first attempts to capture how learning happens were achieved through "learning curves", which plot how individuals and teams become efficient at a given task over time. Assessing the learning process at the individual/team level therefore becomes straightforward: it is the people's ability to acquire/execute a certain skill/task. At the company level, one may simply presume that if employees have acquired new knowledge, then of course the entity has learnt–here, the organization is the people. This is, in my view, an unsatisfying shortcut. It captures part of the story and forecloses any discussion of the business conceived as an entity, separate from its members.

To start the conversation, it is helpful to consider learning proxies: instead of asking what learning by a business "means" or "is", let us ask how it manifests. Research indicates that learning by a business may be captured through improvements in its output (i.e., products and services), better financial performance, revised internal processes, new skill set of the workforce, and more (3). Alternatively, a narrower assessment is to presume that an organization has learned whenever knowledge generated at the individual/team level eventually seeps through company-wide processes–individual knowledge becomes "institutionalized" **(4).** Africa Re's adoption of the "bottom-up inclusive" approach of strategy development is a perfect illustration of the latter.

So what if the organization can learn? Does it matter?

Yes, it does. On two counts at least: knowledge management and the leader's legacy.

At the heart of the discussion about organizational learning lies the tension between which knowledge or skills rest with the individual or with the business. What is gainedor lost if an individual joinsor leaves the company? What happens when an innovative recruit or a long-serving employee quits? Is it possible for their knowledge and "savoir faire" to be effectively kept within the business, and by how much, if at all?

For executives, it is also the issue of what a leader can impart to the organization which persists, sustains the company, and hopefully thrives long after they are gone–their legacy.

This text presents the merits of organizational learning in addressing both the knowledge management and leadership legacy challenges. It argues that organizational learning can help top managers and indeed any caring manager to ensure that the business imbibes what they consider to be the values, best practices, and skills that will make it an exceptional success.

It should be noted at the outset that learning by organizations often occurs passively, taking shape in the background of everyday business activity–an epiphenomenon, the "hum" of the corporate machine. In this text however, I want to suggest an active learning approach, a thought-through and deliberate technique.

Laying the groundwork for active learning

As already mentioned, organizational learning can be assessed through its manifestations (outputs, processes, skill set, etc.) or by tracking the mutation of individual knowledge into organizational routines. I will follow this second path which, in my view, is easier to adopt by managers. Indeed, tracing learning formation from an individual staff to the wide business readily feeds into the manager's everyday concerns: notably, people, teams, processes and issues of accountability and innovation.

So, when can we say that a business has successfully learnt? I suggest: Whenever an enduring change in process/procedure at the organizational level can be traced back to the individual or teams where it originated.

Consider Africa Re: the "bottom-up inclusive" strategy development approach is now part of the company's DNA. With each iteration, the exact modalities may vary- how large are the teams involved, for how long, with which locations, at what frequency, etc. - but the "bottom-up" and "inclusive" elements still remain. This comes in contrast to the pre-2014 strategic plans which were either "top-down", consultant/externally sourced, or "emergent". Africa Re's learning, as an entity, is therefore reflected in this enduring change, which can be traced back to one individual, the CEO ,and the various teams assembled in the workshops across locations.

Africa Re's "bottom-up inclusive" approach to strategy development is just one example of organizational learning at one company. It is, however, an illustration of a 4-stage technique of active organizational learning, which I will call the "3+1 active learning framework". The four stages are "intuition", "interpretation & integration", "institutionalization", and "learning loops" **(5).**

Succinctly, the "intuition" stage relates to the very first spark, the idea, or initiative that an individual might have as it relates to their work. For learning to form, this idea, which can be about a product or a process, has to be adopted by a team such as the unit or department where the staff belongs. Adoption implies that the team understands, tinkers, "plays" with the idea/intuition (i.e., "interpretation"), before it can be used for routine operations (i.e., "integration").

The new practice, now operational at a team's level (e.g., a department, division, unit, ...) may then be codified into formal company processes and procedures. For example, the "new approach" may be considered "internal best practice", which gets pushed for companywide implementation. Thus, the third stage of "institutionalization".

The three stages ("intuition", "interpretation & integration", and "institutionalization") are sequential. New knowledge has moved from the individual to the team, then to the whole company. For learning to "stick" however, multiple iterations are required with monitoring and enforcement. It is these rounds of trials that constitute the final stage, the "learning loops"—the "+1" of the framework **(6).**

In concrete terms, there is effective organizational learning when the original idea is no longer the individual's (or the team's), but the organization's. That is, the individual may leave the organization, but their knowledge (now institutionalized) remains. Thus, active learning helps the organization achieve both the knowledge management and legacy goals. The obvious challenge for executives is how to set in motion active learning.

Getting the learning started

Let us consider each of the learning stages in a real-life context.

At stage 1, "intuition", the leader has to create a conducive environment for individual staff to produce innovative ideas. It is about creating, for individual staff, enough stretch between routine satisfactory work and expected delivery. Staff are therefore provided with a level of responsibility higher and more complex than their day-to-day work. In a sense, the staff is working on two tracks: the routine track with the regular expected job description, and the innovation track whereby they are assigned a broader and more complex responsibility. Stage 1 is, I think, both the most consequential and at times the hardest, because it directly interacts with the company culture, the manager's personality and leadership style.

With Stage 2, "interpretation & integration", attention now shifts to the team level. Here, an innovative idea has to be picked up and tried by the individual's team. The idea (i.e., an initiative or innovation) may be a new way to report information, to review contracts, to reconcile data, to reach out to clients, to use artificial intelligence, and more. In an active learning approach, mixed teams are the most helpful; they may be departments, committees, groups of experts, etc. Their key role is to absorb and transform the members' ideas into workable practices.

At Step 3, "institutionalization", pockets of best practices within the business are recognized and spread companywide. An active learning process means that there exists a formal process to spot and diffuse these practices. For example, the audit and risk management divisions, for example, are well placed to notice the good and not- so- good practices across the organization. As such, they can be incentivized to document the best practices and follow-up with their "institutionalization". With the 3 stages locked in, the remaining component is the "learning loops"—the "+1". Here, the manager's attention is set on running iterations of the new process, with adequate enforcement and monitoring until a refined practice sticks.

As noted, these learning stages do exist in a fluid and passive manner in daily corporate life. The call for "active learning" is for managers to be deliberate about the process, with measurements and effectiveness evaluations. As a result, managers can prioritize which elements of knowledge to retain, what talent to hire, how to pace new learning, etc. The difficulty of active learning is however not limited to the "how". Even if time and other resources were unlimited, business leaders would still ask whether the effort is worthwhile.

Jumping over hurdles

First, the results; active learning approaches are not restricted to the business environment. A recent issue of Foreign Affairs Magazine (an international relations US publication) for example describes how the Russian army poured efforts into an active learning system in its war against Ukraine (7). Yet, for what results? Today, with the war in its fourth year, the lack of resolution raises the question of the causal relationship between active learning and winning.

The same hurdle exists for businesses: it is hard to delineate a causal mechanism between learning and financial performance. This resembles the debate about "strategizing" and financial performance. In fact, in my research interviews with Dr. Corneille Karekezi about his doctoral work and experience, the exceptional financial success of Africa Re may be attributed, in his view, more to the unique character, integrity, and ambitions of its leaders than to any specific strategic approach. In addition, assuming active learning does lead to financial performance, the timeframe required to make such a determination will likely be too long, leaving the leader to prefer shorter term and tangible wins.

Nonetheless, not being able to define a causal relationship between strategy formulation and financial performance–and for my argument, organizational learning and financial performance–does not mean that these exercises are futile endeavours. As any executive who has been involved in active strategy development or learning will probably attest, they provide fresh insights ("under the hood" look) into the company. Therefore, financial results should not be the sole live or die criterion.

There is however a more substantive counter argument to consider: organizational learning is "leadership vulnerable/dependent".

As described, the learning process starts with an individual (the "intuition" stage), then spreads over the organization. Given corporate leaders' position and influence, they can in effect make or break learning formation. Indeed, for learning to become institutionalized, despite the natural flow of people joining and leaving, knowledge and expertise need to stick and persist over time. Thus, the "stickiness" of knowledge is very much at the mercy of those in charge (not just at the top, but at every level of responsibility). An extreme version of this limitation is to argue that there is no such thing as organizational learning; there simply is what the leader wants there to be: an aggregate of what individual staff members are doing daily. As such, "batches of learnings" may arise, die, and at times overlap with every change in leadership.

This leadership dependency/ vulnerability is, I think, the most serious challenge to the concept of organizational learning. At the very least, every new leader can undo, or chip at, whatever happened before them–a phenomenon not limited to corporations. Think of a country's laws and norms vulnerability to changes in leadership.

Finally, a third challenge is the "theoretical" feel of the exercise. Management may well be convinced about the need for creating an organizational learning environment, yet because this is not a popular business topic for now, little exists in terms of practical guides, in comparison for example to "performance management" or "strategy development". This text is an attempt to address this challenge.

A path to business self-discovery and exploration

When Africa Re experimented with a novel approach to strategy development (ground up with an all-inclusive cast), it probably did not see it necessarily as an "organizational learning" endeavour. Yet, the exercise as it has evolved over more than a decade clearly displays all the traits of organizational learning. The learning outcome can be seen as a byproduct of the new strategy development process, and it is by no means the only byproduct.

From personal experience, it is during those strategy workshops that I had the opportunity to discuss and to learn from colleagues from other departments and countries. In some ways, although the workshops were ostensibly a brainstorming and strategy development effort, they did serve as a team-building and knowledge- sharing venue as well.

Ultimately, the core argument for setting in motion an active organizational learning process is similar to that of conducting a strategy planning exercise. Yes, both can be challenged on theoretical and practical grounds,but still they do produce an environment conducive to openness, innovation, and success.

In my view, as with individuals, learning reaches further than acquiring new knowledge and skills, it is also a journey filled with self-discovery and a finer understanding of the world around us. Likewise, pushing the business to learn is, beyond the financial imperative, a means to getting it to better grasp its workings, to question and to improve on what it does. And even more attractive for the leader, organizational learning provides the tools to shape business behaviour and, with enough time and effort, to imprint a desired legacy.

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(1) For a historical and general overview of the strategic management field see:

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(4) A detailed account of the learning process articulation starting with the individual to the institution is provided by Dr. Mary Crossan and co-authors. They articulate a 4-step framework ("4I"), which is adapted for this essay.

Crossan, M. M., H. W. Lane, and R. E. White, 1999, "An organizational learning framework: From intuition to institution", Academy of Management Review 24, 522–537.

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Rethinking Re/Insurance Performance Assessment Metrics Following IFRS 17 Adoption - An Actuary's Perspective

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Introduction

IFRS 17 – insurance contracts is a financial reporting standard issued by the International Accounting Standards Board (IASB) effective from 1 January 2023. It replaces IFRS 4, which had been designed as an interim standard but resulted in widely divergent practices. Thus, the aim of the new standard is to ensure a consistent framework for recognizing revenue, measuring liabilities, and reporting profitability. While its technical requirements have been widely discussed, its impact on performance measurement is less understood. This article aims to bridge that gap by examining how IFRS 17 redefines key performance indicators (KPIs) and what this means for re/insurers and other stakeholders. We put a special emphasis on the role of actuaries, and discuss what should be their contribution in defining the KPIs.

IFRS 4, limits of traditional performance metrics

With the change in reporting standard towards IFRS 17, historical industry KPIs are limited. Indeed, they fail to account for differences in the timing of profit recognition, the impact of discounting, and the risk that is inherent in insurance liabilities.

Let us consider a few of the most common KPIs utilized by the industry.

- **Gross Written Premium**

Under IFRS 4, Gross written premium (GWP) measures revenue. Yet, because it fails to show revenues on an earned basis, different companies can produce different numbers for the same transaction. A 5-year term policy with a single premium at one company would therefore record a much higher GWP than another charging the same premium but on an annual premium basis. Some entities may also include in the premium recorded different kinds of discount or return premium under various guises. These inconsistencies in the treatment of premium may create divergent interpretations of the company's financials.

Under IFRS 17, revenue is recognized and disclosed on an earned basis and excludes all payments to the policyholder other than claims payment or payments that are dependent on claims.

- **Loss ratio**

The loss ratio is an important measure of performance as it shows the proportion of premium that goes into paying claims. However, there could be differences in what constitutes the incurred loss amount. An important item in the incurred loss amount is the claims reserves which different entities maintain with differing levels of implicit margin. Some accounting regimes also allow items like equalization reserves and catastrophe reserves.

Under IFRS 17, reserves are to be maintained at best estimates, meaning a weighted average of the expectations. A separate risk margin for non-financial risk is required to be added and must be disclosed including the percentile as well as discounting of all future obligations exceeding 12 months. The disclosure of percentiles of the risk margin allows the users of financial information to form their opinion on the level of risk assumed.

- **Combined ratio**
  This is a measure of the overall underwriting profitability of an insurance entity incorporating both claims and expenses. It is the most used profitability ratio in the industry, especially for non-life insurers. The combined ratio is calculated by dividing the sum of incurred losses and expenses (acquisition and operating expenses) by the earned premium. The most useful form is net of outward reinsurance. A ratio below 100% indicates a profitable portfolio while a ratio above 100% indicates a loss-making portfolio.

  The IFRS 4 combined ratio fails to reflect time-value of money through the discounting of liabilities and failure to disclose the level of uncertainties involved in the insurance liabilities. Companies may also treat various expenses differently.

- **Underwriting profit (margin)**
  The underwriting profit shows the profit emanating from the insurance operations. It is a ratio complementary to the combined ratio (computed as 100% less the combined ratio).

It has however been criticised for not reflecting the timing of cashflow and the uncertainties in the values of insurance liabilities. For example, the premium generated is invested pending when claims occur and paid but this is not reflected in the underwriting profit

IFRS 17, a new language

IFRS 17 introduces new concepts,   that affect how business performance can be viewed. These are, as mentioned earlier, the timing of recognition of profit, the discounting of cash flows, and the reflection of risks in the insurance liabilities. We explore each of these concepts in the context of the default accounting approach, the general measurement model (GMM)

- **Timing of recognition of profit**
  The new standard introduces the concept of "contractual service margin" (CSM), which requires that future profit be recognized only when the service that produces them has been fulfilled. By contrast, future losses must be recognized and booked immediately (by constituting a loss component).

  At initial recognition, the CSM is an unearned profit from the contracts issued and would have to be released into the profit or loss account over time. It is, at inception, the sum of the net present value of (probability weighted) cash flows and the risk adjustment for financial risk.

  At subsequent measurement, the CSM of a group of contracts is released by considering: new contracts added to the group, changes in fulfilment cash flows that relate to future service, interest accreted on the CSM during the period, and currency exchange differences.

  Thus, the recognition of the CSM released could be a major driver of the profit of a group of contracts. CSM effectively eliminates day one gains, defers profit over the coverage period, while immediately recognizing day one losses.

- **Discounting of cash flows**
  With IFRS 17, the business is required to adjust the estimates of future cash flows to reflect the time value of money and the financial risks related to the cash flows. This is achieved by applying discount

rates that reflect the time value of money, the characteristics of the cash flows and the liquidity characteristics of the reinsurance contracts. Additionally, the discount rates should be consistent with observable current market prices.

- **Risk adjustment**
  Under IFRS 17, a risk adjustment is the compensation an insurer requires for bearing the uncertainty about the amount and timing of the cash flows that arise from non-financial risk as, the insurer fulfils insurance contracts.

  Although the standard does not specify how the risk adjustment should be calculated (a set of expectations is provided), IFRS 17 requires that the methods used be disclosed including their confidence levels.

Re-assessing performance

IFRS 17 new language offers a fresh look at re/insurance companies' performance. Most notably, in assessing revenue generation, technical outgo, operational efficiency, business growth and profitability. The standard suggests a number of KPIs, a few of which are discussed below.

- **Insurance revenue growth**
  Insurance revenue is the measure of revenue under IFRS 17 and with time, should replace the use of gross written premium. Hence, the growth in the business will be measured by the growth in insurance revenue under IFRS 17. Insurance revenue shows how much of the written premium is earned over the reporting period and removes the differences in the treatment and recognition of written premium.
  Insurance Revenue Growth at Y1 = (Insurance Revenue at Y1/ Insurance Revenue at Y0) – 1

- **Insurance service result (margin)**
  Under IFRS 17, insurance service expense represents the technical outgo of an insurance entity. It would be made up of incurred claims, attributable expense, losses on onerous (i.e. unprofitable) contracts and allocation of insurance cash flows. The insurance service result is the excess of insurance revenue of insurance service expense with a positive number representing a profit (this is close to gross underwriting results under IFRS 4).
  Insurance Service Result = Insurance Revenue – Insurance Service Expense

  When the insurance service result is expressed as a ratio of the insurance revenue, the insurance service result margin is obtained. A positive ratio denotes profit, while a negative ratio records a loss. The higher the ratio, the higher the profitability—ceteris paribus.
  Insurance Service Result Margin = Insurance Service Result / Insurance Revenue

- **Operating expense ratio**
  This is an efficiency ratio that tracks how efficient an insurance entity is in running its operations.
  Operating Expense ratio = Operating Expense / Insurance Revenue

- **CSM release ratio**
  CSM, as already indicated, is the unearned profit from a group of issued contracts at initial recognition. This unearned profit would need to be released to profit or loss over the future of the contracts. The CSM release ratio tracks the release of the CSM into profit or loss.
  CSM release ratio = CSM Released / Opening CSM

- **New business CSM**
  The CSM generated by new business will become an important metric for entities that apply the GMM. It shows if the entity is acquiring new business to create values or destroying values in a bid to grow market share.

- **Risk adjustment ratio**
  The risk adjustment is an important element of the contract future cashflow with direct impact on the service expense and results. The confidence level of

the risk margin needs to be disclosed as required by the standard. However, there is need to track how the risk margin compares to the best estimate of reserves over time.
RA ratio = Risk Adjustment / Liability for Incurred Claims (LIC

- **Liability for remaining coverage vs liability for incurred claims**
  The liability for remaining coverage (LfRC) is a reserve for unexpired risk while liability for incurred claims (LIC) covers expired risk whether reported or not. The balance between the two items of liability, especially by cohort years, is important as it represents a balance between the financial obligations of an insurance entity for future service and past service. This separation-- revenues from future service periods versus those from past events--allows for a better analysis of profitability and provides a clearer view of the technical provisions, including the contractual service margin and the risk adjustment.

- **IFRS 17 combined ratio**
  We foresee that combined ratio would continue to be applied under IFRS 17 (especially by entities that apply the premium allocation approach, or PAA), albeit in a new form. Management expense is now split into attributable and non-attributable, hence it is yet to be seen if the calculation of IFRS 17 combined ratio should include non-attributable expense or not. Practice is also divergent on whether the financial results should be included. At the height of it all is the need for a suitable item for the denominator in the calculation, as net earned premium has disappeared under IFRS 17. The tendency is to use the insurance revenue as the denominator, but there is also a suggestion to use an equivalent net insurance revenue which is not usually disclosed and may make comparison difficult.

- **IFRS 17 return on equity (ROE)**
  Return on equity is expected to continue to feature under IFRS 17 as the most comprehensive performance measure. One of the main adjustments to the traditional ROE is adjusting for the CSM in both the numerator and the denominator of the calculation of ROE. Possible formula for ROE may take the following form:
  ROE = (Net Income + Change in OCI + Change in CSM) / (Shareholder Equity + CSM)

Actuaries in (re)action

Actuaries play an important role both at the pre- and post-implementation stages of IFRS 17. Their input is valued in development of position papers, deliberations on policy choices, and impact tests on the financials—to name a few. This "360 view" equips them with the necessary background to design KPIs.

There are a number of areas we believe actuaries are well positioned to contribute (not less because these areas are heavily based on actuarial concepts such as CSM, risk adjustment, and discounted cash flows).

- **Translating IFRS 17 measurements into KPIs**
  Actuaries understand the mechanics of insurance operations and are involved in product design and pricing. They are also heavily involved in the measurement of insurance contracts under different measurement models , facilitated by their clear understanding of the key items involved. They especially understand the mechanics of CSM release patterns, risk adjustment calculation, discounting and financial assumptions andare therefore able to ensure that KPIs reflect true economic performance and not just accounting numbers.

- **Defining profitability metrics**
  Profitability under IFRS 17 is split into insurance results and financial results, each being affected by actuarial and financial assumptions. Profitability metrics must therefore carefully reflect the impact of these assumptions on the profit. The profitability metrics should be designed to align with coverage units and service provision under IFRS 17.

- **Linking KPIs to risk and capital**
  Insurance is a business of risk, and any performance metric should reflect the level of risk assumed and the capital requirement. IFRS 17 allows some level

of uncertainty to be reflected when measuring insurance contracts. The risk adjustment is a measure of the uncertainty involved in the insurance cashflow and a pointer to the amount of risk involved in a particular line of business. Actuaries should ensure that KPIs under IFRS 17 capture uncertainty and solvency implications.

- **Scenario testing and sensitivity analysis**
  Actuaries model how KPIs behave under changes in the different assumptions, including changes in discount rates and shifts in payment patterns . This helps management understand volatility and drivers of performance. Actuaries are able to stress test the KPIs under adverse scenarios like pandemic (losses) or quantify sensitivity to key assumptions such as the discount rates and payment patterns. They also assist in developing normalised KPIs that remove the impact of one-off events, for example, the impact of a long- return- period catastrophe loss.

- **Supporting management decisions**
  Actuaries design KPIs that inform pricing and product strategy and align with risk appetite and capital allocation. They ensure KPIs are forward-looking, not just retrospective. The designed KPIs can assist with predictive analytics for example in providing early signals for future onerous contract groups.

  In order to derive maximum benefit from the KPIs, actuaries would need to fashion ways to communicate performance to top management and board of directors. For example, IFRS 17 insurance results may be reconciled back to IFRS 4 by the use of waterfall diagrams. Also, trend analysis can be incorporated into the value of the KPIs to identify possible challenges before they materialise.

- **Data and systems integration**
  Actuaries work with finance and IT professionals to implement KPI calculations in actuarial models and reporting systems and validate consistency between financial statements and dashboards. The involvement of actuaries in this space is in three broad areas:
  - Data requirements and specification: This includes determining the data granularity required to produce KPIs, identifying the sources of the data and quality of the metrics produced from them.
  - Systems Design Input: This involves collaboration with ICT professionals to ensure that the systems can produce the KPIs, produce KPI values based on past figures, and ensure that the metrics can be drilled down to identify the drivers.
  - Automation of the production of KPIs: With the systems for calculations finalised, the agreed KPIs can then be automated and calculated seamlessly. The automation should also include the creation of early warning signals to flag unusual movements for further scrutiny.

A new world

IFRS 17 has gradually brought about changes in the measurement of insurance contracts. Indeed the transition from IFRS 4 to IFRS 17 represents a fundamental shift in insurance accounting that significantly changes how performance is measured and monitored. It is important to understand that developing KPIs is not just a technical exercise but also involves the creation of a performance framework that drives better business decisions, clearer communication, and ultimately improved performance. Actuaries, with their unique combination of technical knowledge and business skills, are essential in making IFRS 17 a value-adding change rather than just a compliance burden.

It is expected that legacy KPIs will continue to be used under IFRS17, but with changes to the data input that goes into their calculation. Surely, KPIs that directly reflect the new concepts will emerge with time, and industry standard metrics should then be available to allow for relevant comparison.

As a sign of what to expect, AM Best has already disclosed in its 2025 IFRS 17 FAQ publication that CSM-related measures will be new additions to its KPI roster.

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Angola: A Maturing but Under-penetrated Insurance Market – Dynamics, Drivers and Implications for Re/Insurers

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1.0 Introduction

Angola is located in the south-western part of Africa, on the Atlantic coast, bordering Namibia on the south, Zambia to the east and DRC to the north. The country has a long western coastline on the South Atlantic. It occupies 1,246,700 square kilometers and is the seventh largest country in Africa. Its population is around 36.7million (2023 world bank estimate), and is considered a lower-middle income country by World Bank terminology. The country's economy is heavily dependent on its natural resources, especially oil and gas (30% contribution to GDP), and to a lesser extent, diamonds and other minerals. Angola is the largest producer of diamonds in Africa.

Insurance in Angola was first introduced under Portuguese colonial rule, primarily to serve European settlers, trade companies and maritime operations. The market operated as an extension of the Portuguese insurance system, with foreign insurers, mainly from Portugal, providing cover and using the Portuguese regulatory framework. No domestic insurer existed until 1978 when ENSA was set up as a state-owned self-regulated monopoly. In 2004, policymakers decided to establish an autonomous insurance regulatory body, leading to the creation of Instituto de Supervisao de Seguros (ISS), which was replaced in 2013 by the current regulatory body – Agencia Angolana de Regulacao e Supervisao de Seguros (ARSEG). As the market continues to grow and develop, ENSA no longer enjoys monopoly, though it remains the market leader.

Angola's insurance market is at an inflection point. After a decade of policy reform, regulatory consolidation and macroeconomic stabilisation, gross premiums are rising, with non-life insurance products dominating the market. There is a deliberate policy action aiming to expand financial inclusion and insurance penetration. Yet the market remains shallow by global standards: penetration is under 1% of GDP, life insurance is a tiny slice of the pie, and structural constraints — currency volatility, inflation, concentrated distribution channels and limited actuarial capacity — continue to restrict scale and product diversification.

This article synthesises the most recent public datasets and market reports from ARSEG, Ernst and

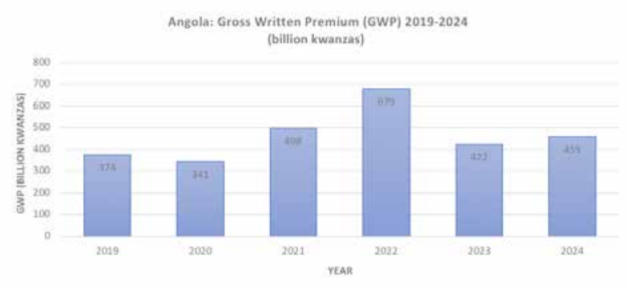
Young (EY), AXCO, SIGMA and Africa Re's aggregated dashboards. It extracts the commercial and technical implications for domestic and international (re)insurers and sets out practical recommendations for market players and policymakers who want a more resilient and inclusive insurance sector.

2.0 Market Performance, Size and Structure

2.1 Performance: scale and trajectory

Available public metrics paint a compact picture of Angola's insurance market. It is small, in absolute terms, but shows meaningful non-life activity. After a pandemic-era lull, the market regained momentum: gross written premiums (GWP), in Angolan Kwanza, rose in 2022 then dropped in 2023, only to pick up and accelerate again, with regulators reporting double-digit nominal growth. Market GWP in 2023 was in the region of AOA379 billion, growing by 26% to AOA478 billion in 2024. The non-life branch dominates the market, but life business has been growing on the back of credit-life and group benefits. Life contributes 6% of premium volume.

Fig 1: Angola: Gross Written Premium: 2019 – 2024



Source: *ARSEG Market Report 2024; AXCO Angola Insurance Market Report 2024*

Market penetration is approximately 1% of GDP, which is below the continental average of 2.4% but consistent with Angola's bank-and oil-centric economic structure.

Fig 2: Global insurance penetration ratios

REGION/COUNTRY	PENETRATION TOTAL %	TOTAL DENSITY USD	LIFE PENETRATION %	LIFE DENSITY USD	PENETRATION NON LIFE %	NON LIFE DENSITY USD
WORLD	6.8	853	2.8	354	4.0	499
ADVANCED ECONOMIES	9.5	5.035	3.7	1.973	5.8	3.061
EMERGING MARKETS	3	187	1.6	98	1.4	89
AFRICA	2.4	50	1.6	33	0.8	16
SOUTH AFRICA	11.3	763	9.1	614	2.2	149
ANGOLA	0.6	22	0.0	1	0.6	21

Source: *Swiss Re Institute, Sigma World Insurance Report 2022*

2.2 Market size

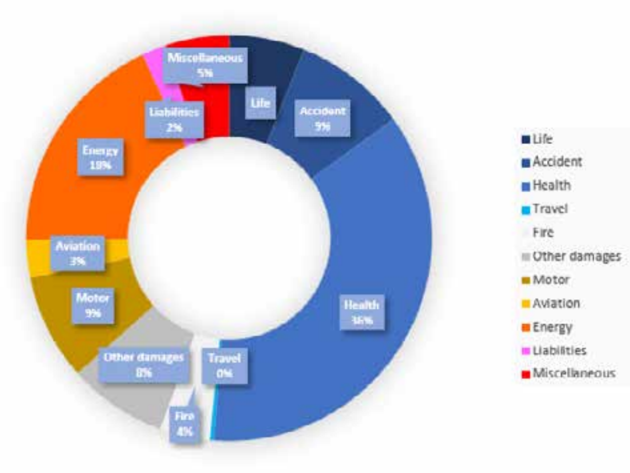
As at December 2024, twenty-eight licensed insurers operate in Angola, including the state-controlled insurer, ENSA, and a cluster of private players whose strategies range from corporate/specialty focus to bancassurance led retail players. Five to six carriers contribute the bulk of the premium income, with ENSA still the scale anchor. There are several other agile competitors, e.g., corporate-heavy and bancassurance-backed insurers expanding their shares through service, analytics, and product specialization. ENSA, the long-standing national insurer remains material to the market and reported a 26% market share in 2024, highlighting that big domestic incumbents still carry a large share of total production and balance sheet assets. ENSA's scale and its public-sector linkages make its financial performance and strategic choices systemic for the domestic market. Distribution is evolving: brokers remain central to corporate and energy business, while agents, bank partners, and digital channels are gaining ground in retail and microinsurance. On the reinsurance side, cedants draw capacity from a mix of African, European, Middle Eastern and Asian panels; facultative placements remain meaningful in energy, engineering, and large property risks. A new private reinsurer is in the process of being set up in Angola. Ms Filomena Rossana Alrosa Manjata – President of the Board of Directors of ARSEG commented that "this development will change the geography of Angolan risk, reducing external dependence, and will work as a laboratory for technical innovation, developing reinsurance treaties at local level."

2.3 Market Structure

2.3.1 Market composition by line of business

ARSEG's country coverage and summary materials corroborate the dominance of property & casualty classes and emphasise that life business continues to be marginal. ARSEG notes that the life market is just 6% of total premiums, underlining how concentrated the market's premium base is in non-life lines, as shown in Fig.3 below.

Fig 3: Insurance market structure in 2024



Source: *ARSEG Market Report (2024)*

This split has important product, capital and reinsurance implications: the market is more exposed to short term perils, mainly motor, health, energy and commercial property risks than to long-duration life business.

3. 0 Recent Trajectory and Growth Drivers

3.1 Recent trajectory

ARSEG's market outlook (published jointly with EY) and related market analysis document an encouraging recent growth trajectory. Between 2019 and 2022, the insurance sector experienced nominal growth in premium volumes (around a 20%+ average annual expansion), supported by fiscal and regulatory changes that improved macro-stability and catalysed demand for commercial lines. At the same time, the data shows that penetration rose from c. 0.7% to c. 0.9% of GDP between 2018 and 2021, reflecting both base effects and some real expansion in coverage.

3.2 Growth Driver

3.2.1 Key demand drivers

The key demand drivers for the Angolan insurance sector include:

i. **Rebound in oil revenues and broader non-oil recovery,** which lift corporate activity and commercial insurance demand. The International Monetary Fund (IMF) observed that Angola's macro recovery in 2024-25 improved both insurer asset performance and corporate appetite for insurance.
ii. **Regulatory reform and clearer prudential rules** — the new insurance and reinsurance law and related ARSEG guidance have heightened solvency expectations and governance requirements, restoring confidence with corporates and international partners. (EY)
iii. **Public and private infrastructure projects** (transport, energy, construction) create insurable exposures (marine, engineering, construction all-risk) that lift non-life premium pools.
iv. **An expanding mediator/distribution base** (brokers, agents) and digital payment channels make policy buying simpler in urban centres. ARSEG's survey tables recorded steady growth in licensed mediators across 2018–2022, indicating that distribution capacity is increasing. (EY)

Nevertheless, headline growth masks structural fragilities — notably, concentration risk where a handful of insurers account for a large share of premiums; currency and inflation exposure that complicate pricing and reserving; and a limited retail life market due to low financial literacy and weak long-term saving flows.

3.2.2 Demand-side drivers by line of business

Energy and natural resources: Oil & gas will continue to anchor large premium flows in property, construction/erection, control-of-well, and liability, with LNG and gas monetization projects adding to demand for facultative insurance . Local content policies keep premium domiciled but require high-quality international panels for capacity and expertise. Gradual upgrades in risk engineering, cyber protection for operational technology/information technology convergence, and expanded environmental liability cover are expected.

Infrastructure and construction: Public and private projects (PPP)—from logistics corridors to utilities—support construction all-risk/erection all-risk (CAR/EAR), delay-in-start-up (DSU), and related liability insurances. PPP momentum, if sustained, will expand the demand for surety, political risk, and credit insurance. The parametric components (e.g., rainfall or wind triggers) can de-risk timelines where historical loss data are sparse.

Health & benefits: Health is the largest class of business in terms of premium volume , driving the Angolan insurance market. With private healthcare filling the gaps in the public system, group medical and credit-life are expanding. Loss ratio control hinges on provider contracting, pre-authorization discipline, and chronic disease management. On the life side, bancassurance and payroll deduction are critical rails; reinsurers with underwriting engines and medical tables adapted to local morbidity will be valued partners.

Motor remains the volume engine regarding the number of policies written, led by TPL. Claims cost inflation (parts, FX) and fraud prevention are the differentiators. Telematics-enabled rating and stronger repair network management are on the rise. Reinsurance demand trends toward aggregate stop-loss to stabilize combined ratios in personal lines books.

Agriculture: Government policy attention towards food security is translating into fledgling agricultural insurance programmes (area-yield, weather index and named-peril models). Public-private pilots are laying the groundwork for scale. This is a prime arena for reinsurer knowledge transfer (basis risk design, portfolio diversification and data protocols with meteorological agencies).

SME and retail: Microinsurance—explicitly recognized in the 2022 Law No.18/22—continues to open room for funeral, credit-life, personal accident, and bundled "SME shop" covers distributed via mobile money, agent networks, and co-ops. The 2024 mediation law's competency and conduct requirements should lift trust and persistency in microinsurance.

4.0 Regulatory Change and its Market Effects

4.1 Regulatory change

Law No. 18/22 (July 7, 2022) — the new Insurance and Reinsurance Activity Law — is frequently cited in the ARSEG/EY outlook report as a turning point. The law consolidated fragmented rules into a single framework, strengthening prudential supervision, governance, anti-money-laundering requirements and solvency standards. It aims to align Angola's insurance regulatory framework with international best practice and to stimulate investor confidence. Key observed effects include:

- **Higher supervisory thresholds and transparency requirements,** prompting consolidation. Inspections in 2020–2021 led to several license withdrawals and a subsequent recalibration of the market. The number of licensed insurers fell in 2021 to 22 from 28 in 2019/2020. It then modestly recovered to 24 in 2022 — indicative of both regulatory tightening and eventual re-entry or new licensing under clearer rules. (EY)
- **Emphasis on governance, risk management and solvency** raises the bar for capitalization but increases the sector's resilience. This, in turn, affects reinsurance demand. Better-capitalised ceding insurers may retain more risk, but improved governance increases appetite for longer-term capacity relationships with reputable international reinsurers. (EY)

In 2024, ARSEG issued detailed standards on risk retention, reinsurance and retrocession, codifying prudent retention ladders, mandatory documentation, and board-level oversight of reinsurance strategy. A new Mediation & Brokerage Law (2024) modernized intermediary licensing, competencies, and sanctions, and clarified the role of specialized microinsurance intermediaries. By late-2024, ARSEG also announced the adoption of risk-based supervision, with an agenda that includes governance, Own Risk and Solvency Assessment (ORSA) and conduct-of-business norms. In early-2025, supervisors stepped up market housekeeping (including addressing distressed carriers), signaling a firmer supervisory stance.

Compulsory classes: Motor third party liability and several other lines remain mandatory, sustaining a base of recurring premiums but insurers also concentrate claims management and anti-fraud priorities in these branches. Enforcement, tariff rationalization, and digital proof-of-insurance continue to be areas of supervisory focus.

4.2 Market Effects: what this means to cedants and reinsurers
The rules of engagement are clearer. Boards must evidence reinsurance strategies aligned with risk appetite; documentation standards have improved; and counterparties will increasingly be screened for credit quality and suitability. For reinsurers, this improves the quality of submissions and encourages technical engagement on structures (e.g., structured proportional with aggregate features, multi-line stop-loss, and event-based covers for Nat-cat and energy). The regulation has a two-edged impact for reinsurers: stricter prudential rules reduce systemic tail risk and create a more predictable partner environment — a net positive Higher domestic capitalisation and possible local retention policies mean facultative and treaty structures need to be re-assessed for margins and attachment strategies.

5.0 Macro and Currency Backdrop: why it matters for insurance

5.1 Growth mix is shifting. Following a strong 2024 outturn, consensus points to moderate growth in 2025–2026, with more of the impulse coming from non-oil sectors (commerce, services, agribusiness, construction) while crude production trends sideways. That mix is insurance-friendly: more SMEs, mortgages, logistics, and infrastructure activity which typically widen the insurable base beyond energy mega-risks.

5.2 Inflation and Rates Remain Watchpoints: Inflation eased from 2024 highs but remains elevated relative to pre-subsidy-reform levels; policy rates are high in nominal terms. For insurers, that combination requires price agility (to keep loss ratios in line with parts and medical cost inflation) and careful asset-liability matching. For reinsurers, it argues for attachment point discipline, tighter claims handling timelines, and explicit inflation clauses where market practice allows.

5.3 Foreign Currency And Investment: The path of the local currency, kwanza, remains a pivotal risk. Currency volatility affects both claims costs (imported parts, medical care) and solvency through asset valuations. The deepening of local capital markets is a positive development for insurers' investment options and transparency, but dollar liquidity will remain a constraint for large facultative claims and imports. Reinsurance structures that absorb forex-driven severity (e.g. reinstatement protections, index-linked sub-limits) are gaining relevance.

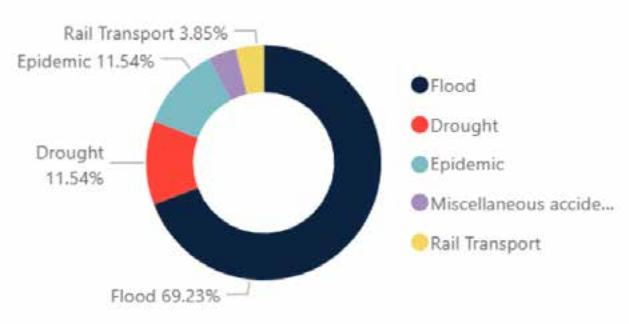
6.0 Reinsurance Market Dynamics

6.1 Retention and structure: The 2024 standard on retention, reinsurance and retrocession encourages disciplined retentions aligned to capital and exposure, with documentary rigour. As domestic insurers strengthen their capital base and ARSEG's prudential regime tightens, some insurers may retain more risk, especially in stable lines. However, large industrial risks continue to be ceded to the international market. The new insurance law and any regulatory encouragement for local retention (or mandatory local cession rules) will materially affect treaty design and pricing. In practice, proportional treaties remain popular for health and mass products, while excess-of-loss protects severity in property, energy and engineering lines.

6.2 Capacity and Pricing: Global reinsurance cycle dynamics (hard/soft markets), the cost of capital and cat-exposure modelling all feed into treaty pricing for Angolan cedants. Reinsurers supplying African energy and construction protection typically price, based on global reinsurance conditions and the unique exposures in Angola, such as political risk, currency convertibility, and event concentration.

6.3 Catastrophes: From 2015 to date, Angola has experienced a persistent sequence of climate-driven catastrophes – major droughts (2015-16) and recurring seasonal floods (2017, 2019 and 2023), that have produced significant economic damage but only modest insured losses due to the low insurance penetration and limited flood and drought cover. The provinces of Luanda Sul and Cunene, Dombe Grande near Benguela and Luanda are vulnerable to flooding either due to overflowing rivers or, in the case of Luanda, poor drainage due to inadequate historical town planning. National diagnostics and World Bank studies show the country is highly exposed to river line floods and droughts. It estimate that plausible climate shocks can generate tens of millions of dollars of direct losses. This highlights a large protection gap between economic and insured losses. The table below shows the catastrophe events recorded in the last ten years, with floods being the main event to watch out for:

Fig 4: Catastrophe events in Angola 2015 to 2025



Source: *AXCO Insurance Market Report: Angola 2024 Edition*

Since 2015, Angola's catastrophe exposure has risen with climate variability while the insurance sector's contribution to post-event financing has remained small – creating persistent fiscal and humanitarian risk and a clear need for scaled parametric solutions and improved risk transfer arrangements.

6.4 Credit Quality and Counterparty Risk: ARSEG's sharp focus on counterparty due diligence dovetails with cedants' own risk perspectives. There is more appetite to diversify reinsurance panels across A- to AA-rated reinsurers with meaningful Africa track records, to reduce correlation risk and support faster claims payments.

6.5 Data and Submissions: The quality gap in submissions is narrowing. Better risk engineering reports, layered construction, occupancy, protection and exposure (COPE) data, and consistent catastrophe exposure files are increasingly a standard feature of such submissions. Insurers that can deliver clean bordereaux, credible pricing models, and early renewal narratives attract keener terms and advisory attention from reinsurers.

For Africa Re and large international reinsurers, Angola is strategically attractive — premium pools are growing, reinsurance demand for large industrial and energy risks is persistent, and regulatory reform is improving predictability. However, treaty structures must be calibrated in line with local inflation and currency risk as well as the potential for regulatory change on local retention requirements, for example.

6.6 Practical Playbook for Cedants (2026 and beyond)

- **i. Renewal strategy:** Start engagements with reinsurers earlier than usual; share loss triangles, inflation assumptions, and exposure updates. Frame renewal proposals (capacity, structure) with options (e.g. aggregate features, reinstatement profiles).
- **ii. Retention calibration:** Tie retention to capital and earnings volatility targets; stress-test forex and claims inflation shocks. Document board rationale.
- **iii. Catastrophe view:** Build a minimum-viable catastrophe framework: exposure mapping for extreme weather, e.g. flood, cyclone and drought risks, basic scenario testing, and a path to parametric supplements.
- **iv. Claims excellence:** Tighten service levels with adjusters and providers; leverage digital First Notice of Loss, fraud flags, and supplier scorecards. This pays back in renewal negotiations.
- **v. Working with ARSEG:** Proactively align with retention and conduct standards; ensure intermediary networks meet competency and disclosure rules.

7.0 Outlook and Final Commentary

Angola's insurance sector is maturing: regulatory reform, macro stabilisation and a widening distribution base have set conditions for growth. But transforming a sub-1% penetration market into a meaningful protection economy requires concerted action across regulators, insurers, reinsurers and the public sector.

For reinsurers, the commercial opportunity is clear: capacity for large industrial risks, reinsurance innovation for catastrophe and parametric solutions, and strategic technical partnerships that build domestic underwriting capacity will all be sources of profitable growth. Africa Re—by virtue of its regional mandate, balance sheet scale and capacity to provide both risk transfer and development-oriented technical assistance—has a natural role to play in supporting Angola's transition: from facilitating treaty capacity to co-designing blended risk financing solutions with the government and donors.

Angola is becoming a higher-quality market for insurers and reinsurers alike. The foundation — regulatory clarity, rising premium income and visible public policy interest — is in place. For insurers and reinsurers that can combine technical underwriting excellence, treaty design tuned to local macro constraints and patient capacity investments, Angola offers both commercial returns and an opportunity to materially lift financial protection across an economy in structural transition.

The immediate challenge is to convert regulatory progress and headline growth into broader coverage, robust balance sheets and product diversity — a task that requires public-private collaboration and technical investment. Africa Re is well positioned to be a partner of choice in that transition. For reinsurers such as Africa Re, the opportunity is to compound a long-term franchise, anchored in technical excellence and local partnership—into the country's next phase of growth.

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