Insurance regulation in Africa: impact on insurance and growth strategies

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ABSTRACT
Nigeria, Ghana, Botswana and the East African Community are all in the process of developing (or have recently developed) more advanced regulatory regimes. Furthermore, many South African insurance companies are in the process of expanding operations across the continent, or may possibly plan to do so in future. This paper considers the impact these regulatory changes will have on South African insurers who are looking to expand throughout Africa by drawing a comparison between the local regimes and the proposed Solvency Assessment and Management framework. The regulatory regimes are also assessed on a high level against the Insurance Core Principles issued by the International Association of Insurance Supervisors, widely regarded as a globally accepted framework for the supervision of insurance activities.

In addition, practical considerations that may impact an insurer’s African Growth Strategy such as group supervision, product innovation, insurance penetration levels, capital requirements and consumer behaviour for the markets concerned are discussed.

KEYWORDS
Africa; insurance; regulation; growth strategy

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1. INTRODUCTION AND BACKGROUND
1.1 Study Objectives

1.1.1 Nigeria, Ghana, Botswana and the East African Community (EAC) are all in the process of developing (or have recently developed) more advanced insurance regulatory regimes. Furthermore, many South African insurance companies are in the process of expanding operations across the continent, or may possibly plan to do so in future.

1.1.2 This study aims to analyse the impacts these regulatory changes will have on South African insurers planning to expand into Africa and to outline some key practical considerations for the insurers’ African Growth Strategy. The following territories are covered in this study:

a) EAC member states (Kenya, Tanzania, Uganda, Burundi and Rwanda);
b) Ghana;
c) Botswana; and
d) Nigeria.

1.1.3 In this regard, the scope of this study sought to cover the following:

— Review the current insurance legislation for both life and non-life insurance in each of the EAC partner states as well as Ghana, Nigeria and Botswana;
— Review the structure and content of the current insurance regulations in each of the local territories considered against the Insurance Core Principles (ICPs) of the International Association of Insurance Supervisors (IAIS);
— Review the structure and content of the current insurance regulations in each of the local territories considered against the Solvency II framework and hence the proposed Solvency Assessment and Management (SAM) framework in South Africa (which is based on Solvency II);
— Review the draft EAC regulation regarding an integrated insurance regulatory framework across the member states and consider the impact of this regulation on growth strategies in the EAC member states; and
— Outline key practical considerations for the African Growth Strategy of South African insurers planning to expand into Africa.

1.2 Study Approach and Methodology

1.2.1 The agreed Insurance Core Principles (ICP) methodology of the International Association of Insurance Supervisors (IAIS) provides the basic benchmark for insurance supervisors, for EAC partner states, as well as the other African territories as a whole.

1.2.2 In order to carry out a Solvency II and (related) SAM comparison, key themes were identified based on the ‘Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009’. A comparison was then carried out across all territories considered in respect of the requirements reflected in the corresponding Articles. The following themes formed the basis of the analysis:
a) Valuation of assets and liabilities  
b) Rules relating to technical provisions  
c) Capital requirement  
d) minimum capital requirement  
e) public disclosure  
f) systems of governance  
g) supervisory reporting

1.2.3 The following rating scale was used to perform the assessments:

a) **Observed** whenever all the standards are considered to be observed;
b) **Largely observed** where only minor shortcomings exist;
c) **Partly observed** where the shortcomings are sufficient to raise doubts about the supervisors’ ability to achieve observance;
d) **Not observed** where no substantive progress toward observance has been achieved; or  
e) **Not applicable** when the standards are considered to be not applicable.

1.2.4 The study also focused on a detailed analysis of the current state of the insurance markets across the five member countries of the EAC as well as Ghana, Nigeria and Botswana. An assessment of the regulatory frameworks, products, distribution channels and reinsurance was carried out to identify the key practical considerations for South African insurers looking to expand into Africa.

2. COUNTRY BY COUNTRY PERSPECTIVE

2.1 Kenya

2.1.1 The Economic Climate

2.1.1.1 Kenya has managed to recover significantly from its slowdown in economic growth experienced in 2011. The country’s March 2013 general elections allowed for a smooth political transition averting the political violence which ensued after the 2007 elections (BBC, 2013). The smooth elections have managed to restore investor confidence and increase the real GDP growth of the country to 4.9%. Foreign direct investment has been strong in the country and is expected to increase following the discovery of oil in the Turkana region. Consumer price inflation has been persistent at a year-on-year geometric average of 8.7% per year since 2005 (AfDB, OECD & UNDP, 2014).

2.1.1.2 Kenyan authorities are pursuing a primary balance (government net borrowing excluding interest payments on consolidated government liabilities) of 2% of GDP through a fiscal consolidation exercise which involves increasing domestic revenue. Through the Finance Act of 2013,1 a new tax on financial transfer fees (customs and excise tax) came into effect on 18 June 2013. A new VAT act which

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1 The Finance Act of 2013, Act no.38 of 2013, Republic of Kenya
aimed to increase VAT revenue and decrease compliance costs was introduced in Kenya on 2 September 2013 (KPMG Kenya, 2013).

2.1.2 The Insurance Industry

2.1.2.1 According to Business Monitor International (2014a) (referred to as BMI), Kenya has a dynamic insurance industry which, although characterised by insurance companies which are relatively small by global standards, has proven to be resilient. Despite the difficult business environment many insurance companies based in Kenya have succeeded in achieving persistent growth. Companies in the Kenyan insurance market have proven to be innovative by providing facilities to pay premiums via mobile phones and introducing products which cover farmers against the risk of natural disasters as well as providing Takaful. The total assets of the Kenyan insurance sector were worth US$3bn at the end of 2012. Although this figure is small by international standards, it is worth noting that the total assets of the Kenyan insurance sector have approximately trebled since 2005.

2.1.2.2 In terms of total premiums written, the non-life sector is roughly twice as large as the life sector. Non-life penetration in Kenya is approximately 2.4% of GDP which is strong in consideration of the low per capita income in the country; although not as high, life penetration is also relatively strong at 1.1% of GDP (BMI, 2014a).

2.1.2.3 The Kenya Insurance Regulatory Authority (IRA) performed a survey amongst over 35 CEOs of insurance companies in 2012. The IRA identified predatory premium rate undercutting as the industry’s greatest perceived challenge amongst the CEOs. The regulator also identified the following challenges to the insurance industry: Claims settlement and volume; delays in premium collection; non-compliance with the ‘cash and carry’ premium system; inappropriate staff skills in some areas; fraud and the quality of intermediary services and customer retention (Mose & Kuloba, 2013).

2.1.2.4 The insurance industry in Kenya is developing rapidly and despite the challenges of high inflation, poverty and low awareness; forecasts of growth in the industry over the next few years are bullish. The life insurance sector is still developing in Kenya and is growing at an impressive rate. Life premiums are expected to increase by 14.1% to US$0.5bn in 2014, whereas non-life premiums in Kenya are expected to rise by 9.8% to US$1bn (BMI, 2014a).

2.2 Uganda

2.2.1 The Economic Climate

2.2.1.1 The gross domestic product of Uganda is relatively small at US$23.5 billion. In 2012, the Ugandan economy’s growth slowed down to 2.8% – its lowest level in over a decade. However, despite a less than favourable economic outlook and a decrease in aid inflows, the Ugandan economy has recovered rather...
Remarkably, with its real GDP growth increasing substantially to 5.2% in the year 2013 (AfDB, OECD & UNDP, 2014).

2.2.1.2 The recovery in the economic growth of the country is largely due to strong private sector growth and foreign direct investment, together with falling inflation and interest rates. Consumer price inflation since 2005 has been at year-on-year geometric average of 10.0% (AfDB, OECD & UNDP, 2014).

2.2.2 The Insurance Industry

2.2.2.1 Insurance market penetration in Uganda is approximately 0.66% of GDP which is low even in comparison to other African countries (BMI, 2014c). At the heart of the low market penetration in Uganda is poor sensitisation and awareness of insurance products and their benefits – research indicates that many Ugandans have never even heard of insurance. Low levels of disposable income and a low savings culture also contribute to Uganda’s lagging market penetration (Uganda Insurer’s Association, 2013).

2.2.2.2 There has been persistent premium growth over the last few years in Uganda. According to provisional figures for 2013 published by the Insurance Regulatory Authority in Uganda the total gross written premium was up from USh 352.23bn (US$ 140mn) in 2012 to USh 401.99bn (US$ 155mn) in 2013. This indicates a 14.45% growth in gross written premiums (Uganda Insurer’s Association, 2013).

2.2.2.3 The non-life insurance sector is significantly larger than the life insurance sector, accounting for approximately 89% of the gross written premiums, whereas the life insurance sector accounts only for the remaining 11% (Uganda Insurer’s Association, 2013).

2.2.2.4 There are 22 insurance companies and one reinsurance company in Uganda. Of the 22 insurance companies, there are two pure life companies, 14 non-life companies, and six composite companies (Insurance Regulatory Authority in Uganda, 2013).

2.2.2.5 The outlook on the Ugandan insurance industry is largely positive as a result of the discovery of oil reserves which are expected to boost the insurance industry. Acts and regulations aimed to create opportunities for bancassurers and microinsurers are in the pipeline and the Insurance Regulatory Authority is involved in encouraging insurers to invest in the development of the agricultural sector (Uganda Insurer’s Association, 2013).

2.2.2.6 The IRA in Uganda have identified the following five drivers to the insurance sector growth (Insurance Regulatory Authority in Uganda, 2013):
   a) Growth in the services sector combined with an appreciation of the importance of insurance;
   b) Increased private and public investment in construction and engineering projects, mainly commercial buildings (private) and infrastructure (public);
   c) Statutory insurance such as workers’ compensation and motor third party liability;
d) Increased capacity of the insurance industry to manage risk, in terms of higher capital bases, an improvement in technical expertise and increased confidence in the industry as a result of improved transparency and compliance to regulation; e) Economic growth; and f) Strengthened regulatory requirements and improved supervisory procedures implemented by the regulatory body.

2.2.2.7 Tables 1 and 2 illustrate the growth in life and non-life premiums in the Ugandan life and non-life insurance market (Insurance Regulatory Authority in Uganda, 2013).

**Table 1 Non-life premium income 2008–2012 by line of business**

<table>
<thead>
<tr>
<th>Line of Business</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>YoY % Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fire</td>
<td>20 428</td>
<td>27 900</td>
<td>37 966</td>
<td>43 086</td>
<td>56 934</td>
<td>29.2%</td>
</tr>
<tr>
<td>Marine/Aviation</td>
<td>15 190</td>
<td>16 264</td>
<td>16 921</td>
<td>21 034</td>
<td>21 760</td>
<td>9.4%</td>
</tr>
<tr>
<td>Motor</td>
<td>45 950</td>
<td>56 436</td>
<td>64 695</td>
<td>81 183</td>
<td>90 052</td>
<td>18.3%</td>
</tr>
<tr>
<td>Public Liability</td>
<td>3 878</td>
<td>4 562</td>
<td>6 532</td>
<td>7 011</td>
<td>9 869</td>
<td>26.3%</td>
</tr>
<tr>
<td>Work. Comp</td>
<td>6 828</td>
<td>8 272</td>
<td>10 784</td>
<td>11 496</td>
<td>13 174</td>
<td>17.9%</td>
</tr>
<tr>
<td>Burglary</td>
<td>6 126</td>
<td>4 865</td>
<td>5 544</td>
<td>6 420</td>
<td>7 401</td>
<td>4.8%</td>
</tr>
<tr>
<td>Engineering</td>
<td>12 823</td>
<td>14 445</td>
<td>14 217</td>
<td>18 141</td>
<td>22 970</td>
<td>15.7%</td>
</tr>
<tr>
<td>Personal Accident</td>
<td>13 086</td>
<td>17 071</td>
<td>20 879</td>
<td>25 172</td>
<td>29 647</td>
<td>22.7%</td>
</tr>
<tr>
<td>Bonds</td>
<td>3 351</td>
<td>4 252</td>
<td>5 749</td>
<td>5 933</td>
<td>5 898</td>
<td>15.2%</td>
</tr>
<tr>
<td>Misc. Accident</td>
<td>23 804</td>
<td>27 545</td>
<td>33 058</td>
<td>42 768</td>
<td>55 268</td>
<td>23.4%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>151 463</td>
<td>181 612</td>
<td>216 345</td>
<td>262 244</td>
<td>312 974</td>
<td>19.9%</td>
</tr>
</tbody>
</table>

**Table 2 Life premium income 2008–2012 by line of business**

<table>
<thead>
<tr>
<th>Line of Business</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>YoY % Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life Individual</td>
<td>1 329</td>
<td>1 854</td>
<td>2 484</td>
<td>3 771</td>
<td>5 754</td>
<td>44.2%</td>
</tr>
<tr>
<td>Life Group</td>
<td>11 201</td>
<td>13 976</td>
<td>16 522</td>
<td>25 658</td>
<td>26 952</td>
<td>24.5%</td>
</tr>
<tr>
<td>DAP (Deposit Administration Plan)</td>
<td>3 256</td>
<td>4 612</td>
<td>4 632</td>
<td>5 157</td>
<td>6 552</td>
<td>19.1%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>15 786</td>
<td>20 442</td>
<td>23 638</td>
<td>34 586</td>
<td>39 257</td>
<td>25.6%</td>
</tr>
</tbody>
</table>


2.3 Tanzania

2.3.1 The Economic Climate

2.3.1.1 Tanzania’s GDP is relatively small at US$31.453bn, however, it enjoys the strongest and most persistent growth of the EAC countries. The country’s real GDP growth in the year 2013 was at a healthy 7.0% (AfDB, OECD & UNDP, 2014).

2.3.1.2 The key drivers of the impressive growth in Tanzania is due to capital intensive industries including financial services, communications, construction and retail trade (World Bank, 2014). The largest contributor to the GDP growth is the booming private sector which contributes to more than half of the growth experienced by the country. Private investment is expected to grow by 9% by the end of 2014 and by 10% in 2015 following the discovery of gas deposits along the coastline which has contributed to the rapid development of the offshore gas sector in Tanzania (BMI, 2014b).

2.3.1.3 Consumer price inflation in Tanzania is higher than in other EAC countries. Tanzania’s year-on-year geometric average consumer price inflation since 2005 has been approximately 9.9% (AfDB, OECD & UNDP, 2014).

2.3.2 The Insurance Industry

2.3.2.1 The Tanzanian insurance industry has evolved significantly from the state-owned monopoly established in 1967 – where only the National Insurance Company and the Zanzibar Insurance Company were authorised to offer local policies. This resulted in a lack of market diversification and modernisation. In 1996, the Ministry of Finance and Economic Affairs began permitting private insurers to practise. In 2009 the Tanzanian Insurance Regulatory Authority (TIRA) was established as the result of the Tanzania Insurance Regulatory Act (Tanzania Insurance Regulatory Authority, 2013).

2.3.2.2 The total written premiums grew by a substantial 18% in 2012. Insurance penetration was recorded as 0.92% of national GDP in 2012, up from the 0.89% of GDP in 2011. The total written premiums of the insurance industry was TSh 406.6bn (US$256.85mn) in 2012. Approximately 89% of the total premiums written were from the general insurance sector, with the life insurance sector lagging behind at around 11% (Tanzania Insurance Regulatory Authority, 2013).

2.3.2.3 Challenges faced by the industry include predatory premium undercutting, especially in the motor insurance class which has caused reputational harm to the industry and negatively affected the ability of insurers to meet obligations. Poor claims servicing and a shortage of skills also pose a challenge for the industry (Tanzania Insurance Regulatory Authority, 2013).

2.4 Rwanda

2.4.1 The Economic Climate

2.4.1.1 Rwanda experienced a slowdown in real GDP growth from 7.3% in the year 2012 to 4.6% in 2013. The decrease in growth rate was partly due to poor
performance in the agricultural sector and the lagged effects of budget support disbursements in 2012. Rwanda’s high dependence on foreign aid (approximately 13% of its GDP in the 2011/2012 financial year) makes it highly susceptible to aid shocks. GDP growth is expected to increase to 7% in 2014 due to a recovery of the services sector, increased productivity in the agricultural sector and the sustained implementation of the public investment programme (Sennoga & Byamukama, 2014).

2.4.1.2 Rwanda has experienced year-on-year geometric consumer price inflation of 7.7% since 2005. The consumer price inflation experienced over the year 2013 was only 4.2% (AfDB, OECD & UNDP, 2014).

2.4.2 The Insurance Industry

2.4.2.1 The formation and supervision of the insurance industry started only in 2002 with the formation of the National Insurance Commission (NIC). The NIC was greatly hampered by a lack of supervisory authority and capacity, which exacerbated the predatory pricing problems faced by the industry. In 2009 a new law was introduced which placed the responsibility of regulation and supervision under the National Bank of Rwanda, since which time the industry has continued to improve. The National Bank of Rwanda has put into place regulations including the separation of life and non-life business (National Bank of Rwanda, 2013).

2.4.2.2 Insurance firms have been asked by the regulator to increase capital to R₣ 1bn (approximately US$ 1.47mn) – a decision which has been criticised by many of the insurers as being beyond their capacity given their current turnovers (National Bank of Rwanda, 2013).

2.4.2.3 As at the end of June 2013, the total gross written premiums of the industry were R₣ 39.3bn (US$ 61.34mn). Net (of reinsurance) written premiums were R₣ 36.5bn (approximately US$ 56.97mn) over the same period, resulting in a retention ratio of 93%, which is well above the regulatory required 80% (National Bank of Rwanda, 2013).

2.4.2.4 In the year ended June 2012, the total assets of the insurance industry were R₣ 176.3bn (US$ 286.99mn) which increased by over 24% to R₣ 219.0bn (US$ 356.50mn) in the year ended June 2013 (National Bank of Rwanda, 2013).

2.4.2.5 The outlook for the insurance industry in Rwanda is good and some of the growth contributing to the higher insurance penetration than in many other sub-Saharan Africa countries is due to an improvement in public awareness of insurance – a challenge faced by the region (National Bank of Rwanda, 2013).

2.4.2.6 Rwanda’s insurance market also has a reasonable number of mandatory policies such as motor vehicle third party insurance and to some extent medical insurance which has helped to contribute to the growth in the industry and will continue to attract investors (National Bank of Rwanda, 2013).
2.5 Burundi

2.5.1 The Economic Climate

2.5.1.1 Burundi has a comparatively small economy: in 2013, its GDP was worth only US$ 2.495bn. It also has the lowest growth amongst the EAC countries, growing at just 4.6% from 2012 to 2013. Burundi has experienced a geometric year-on-year average consumer price inflation of 10.84% since 2005 (AfDB, OECD & UNDP, 2014).

2.5.1.2 Burundi is a small, landlocked country and is therefore particularly vulnerable to increases in food and fuel prices. Lower than expected aid inflows have put pressure on the Burundi Franc. The repatriation of 35 000 refugees from Tanzania and spill overs from the conflict in Eastern Congo have also exacerbated the difficult economic environment (AfDB, OECD & UNDP, 2014).

2.5.1.3 In the year 2012, Burundi experienced an average consumer price inflation of 18.1%. Inflation dropped substantially in 2013, averaging at 7.8%. A tight monetary policy together with falling food and fuel prices are believed to have contributed to this marked decrease in consumer price inflation (AfDB, OECD & UNDP, 2014).

2.5.2 The Insurance Industry

2.5.2.1 Burundi has a very small insurance industry when compared to other countries in the EAC region. Its industry comprises of private companies as well as partially state-owned companies. The insurance industry is regulated by the Insurance Regulation and Control Agency which is a function of the Ministry of Finance.3

2.5.2.2 Burundi has a low insurance penetration – the gross written premiums are only 0.5% of GDP and forecasts indicate that this figure may decrease in years to come. BMI indicate that, based on the gross written premiums, the non-life insurance sector is approximately four times as large as the life insurance sector (BMI, 2014c).

2.5.2.3 The largest lines of business in the non-life sector are motor vehicle insurance and transport insurance. Motor vehicle insurance constitutes approximately 56.2% of the non-life insurance sector and transport insurance constitutes around 21.3% (BMI, 2014c). The concentration of the Burundi non-life sector in motor insurance is driven by mandatory motor insurance.

2.5.2.4 The insurance industry in Burundi has a limited product range and the financial health and solvency are low by international standards. A prevalent problem in the industry is credit risk and the non-payment of premiums (International Monetary Fund & World Bank, 2009).

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3 Burundi Investment Promotion Authority
2.6 Ghana

2.6.1 The Economic Climate

2.6.1.1 Ghana has a strong economy which has been growing at an impressive rate; its real GDP growth in 2013 was 7.4% (AfDB, OECD & UNDP, 2014). The growth in GDP is largely driven by the services industry which has been growing at 9% per annum over the previous five years. An increase in oil and gas production coupled with a stronger private sector and improved public sector development are expected to contribute to an increase in real GDP growth to 8% in 2015 (Okudzeto et al., 2014).

2.6.1.2 Ghana has experienced a geometric average consumer price inflation of 12.2% since 2005 (AfDB, OECD & UNDP, 2014). The main drivers of the inflation include the removal of subsidies on petroleum prices and a steady increase in water and electricity costs (Okudzeto et al., 2014).

2.6.1.3 Ghana boasts the highest foreign direct investment (FDI) in the West African region: the country’s FDI has more than trebled since 2008 and continues to grow (Okudzeto et al., 2014). Best (2013) has identified a high fiscal deficit, corruption and poverty as issues that Ghana currently faces. Best (2013) has also indicated that Ghana’s macroeconomic stability and economic reforms are contributing to the country’s GDP growth as well as to raising income and lowering poverty in the country.

2.6.2 The Insurance Industry

2.6.2.1 The insurance regulatory authority in Ghana is the National Insurance Commission (NIC) which was established in 1989 and currently operates under the Insurance Act of 2006. The NIC is mandated with licensing insurance entities, approving insurance premiums, resolving claim disputes and enforcing compliance with legislation and regulation (National Insurance Commission, 2009).

2.6.2.2 As at the year ended 2011, the Ghanaian insurance industry comprised of 24 non-life and 18 life insurers, as well as two reinsurers. Gross written premiums have grown substantially in the recent past. Gross written premiums trebled over the period 2007 to 2011 from GHC 209.5mn to GHC 628.5mn, with persistent growth in each year. Despite the remarkable annual growth in gross premium, Ghana still experiences a low insurance penetration of estimated at 1.0% of national GDP (BMI, 2014c).

2.6.2.3 In 2011, 57% of the total GWP came from the non-life sector and 43% came from the life sector. Motor insurance is mandatory in Ghana – and as result, motor insurance is the largest line of business in terms of premium written in Ghana, accounting for just under half of the non-life premiums written (BMI, 2014c). This is illustrated in the table below (National Insurance Commission, 2009).

2.6.2.4 Gross written life premiums have increased at a commendable rate since 2007 and are expected to continue to increase going forward. The NIC believes that the life sector still shows promise for further growth, citing innovative product design and

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4 National Insurance Commission, Ghana
improvements in distribution channels as drivers of the growth (National Insurance Commission, 2009).

Table 3 Gross written premium by line of business

<table>
<thead>
<tr>
<th>Gross Written Premium by Line of Business 2007–2011 (GHC ’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Line of Business</td>
</tr>
<tr>
<td>----------------------</td>
</tr>
<tr>
<td>Motor</td>
</tr>
<tr>
<td>Accident*</td>
</tr>
<tr>
<td>Marine</td>
</tr>
<tr>
<td>Fire</td>
</tr>
<tr>
<td>Others**</td>
</tr>
<tr>
<td>Total Non-Life</td>
</tr>
<tr>
<td>Life/Health</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

*Accidents includes General Accident, Workmen’s Compensation, Personal Accident and Engineering.
** Others includes travel insurance and bonds.

2.6.2.5 The NIC has developed a framework to incentivise insurers to design microinsurance products and to allow for some degree of legal certainty. The new legal and regulatory framework is designed to enable Ghana to achieve greater compliance with the Insurance Core Principles and to allow for risk-based supervision. The new framework places stronger emphasis on risk management and corporate governance. The three key objectives for the new microinsurance framework are, as indicated by the NIC: market development, stability and soundness. Conventions have been held by the NIC and there has been significant progress around the implementation of a microinsurance regulatory framework in Ghana (Meissner, Gruitjers & Wyndham-Smith, 2012).

2.6.2.6 Ghana’s economy has been growing rapidly and its insurance industry has expanded significantly in the recent past. There are laws in Ghana which require the compulsory insurance of buildings — considering the growth in both infrastructure and the private sector this is expected to support the insurance industry’s growth further.

2.7 Nigeria

2.7.1 The Economic Climate

2.7.1.1 Nigeria performed a statistical ‘rebasing’ on the way in which it calculates its GDP on 6 April 2014. It had been 24 years since Nigeria previously performed a rebasing (wealthy countries rebase their GDP calculations every five years or so). The rebasing revealed that Nigeria has the largest economy in all of Africa.

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5 Insurance Act of 2006, Act no. 724, National Insurance Commission (Ghana)
with a GDP of NGN 80.3 trillion (US$ 509.9bn) compared to South Africa's GDP of US$ 370.3bn (BBC, 2014). The rebasing of Nigeria's GDP further revealed that Nigeria has a far more diversified economy than previously thought and that it experienced an astonishing growth rate of 7.3% in 2013, an increase from the 6.7% in 2012 (AfDB, OECD & UNDP, 2014).

2.7.1.2 The key driver of the growth in Nigeria is the agricultural industry (growth of 5.4%), crop production (growth of 8.3%) in particular and also the trade and services industry (growth of 7.8%). Oil production has been less impressive than initially anticipated, with negative growth in 2012 (Barungi, 2014).

2.7.1.3 Nigeria has experienced a geometric average consumer price inflation of approximately 10.3% since 2005 (AfDB, OECD & UNDP, 2014).

2.7.1.4 Although the Nigerian economy is expanding rapidly, like many other African economies, it still faces dire challenges. Poverty and unemployment remain prominent challenges faced by Nigeria. The National Bureau of Statistics estimated that in the year 2009/2010 62.6% of the Nigerian population were living in poverty (Barungi, 2014). Despite the economic growth in Nigeria, unemployment continues to increase, and was estimated to range between 21.1% in 2010 to 23.9% in 2011 (National Bureau of Statistics, 2014). Terrorism has also proven to be a persistent problem in Nigeria. The presence of the extremist terrorist group, Boko Haram, poses a threat to foreign direct investment and political stability in the country (Jansler & Lofton, 2014).

2.7.2 The Insurance Industry

2.7.2.1 The National Insurance Commission (NAICOM) is the insurance regulatory authority in Nigeria. The latest annual report available at the time at which this paper was written was the annual report for the year ended 31 December 2011. In 2011 Nigeria wrote NGN 232.7bn (US$ 1.50bn) in gross premiums. In terms of premiums written, the non-life sector is approximately three times as large as the life sector (NAICOM, 2012). BMI forecasts that gross written premiums in Nigeria in 2014 will total NGN 397.4bn (US$ 2.45bn). Insurance penetration in Nigeria is low by global standards at only 0.6% (BMI, 2013d).

2.7.2.2 The following table shows a breakdown of the non-life sector for the year 2011. Motor insurance is the largest line of business in the non-life sector, followed by oil and gas insurance and general accident insurance (NAICOM, 2012).

2.7.2.3 The growth of the insurance industry can also be seen by the increase in total assets since 2006 as illustrated in Figure 1 (NAICOM, 2012). According to BMI (2013d), there are several weaknesses of the insurance industry in Nigeria. There appears to be no evidence to suggest that Nigerians trust insurance companies, fraud is rife and claims are difficult to collect from insurance companies. The market is fragmented and competition has led to premium undercutting rather than product innovation. Insurance companies depend heavily on insurance brokers – many of whom collect premiums on behalf of customers and do not pay the insurers timeously,
therefore resulting in liquidity problems for the insurers. There is a lack of capital and capacity to insure large risks, particularly in the energy sector (BMI, 2013d).

Table 4 Non-life insurance sector by line of business

| Nigerian non-life sector by line of business as at end of 2011 (in millions of Naira) |
|----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| 2011                             | Fire            | General Accident| Motor           | WC*             | Marine          | Oil & Gas       | Misc**          | Total           |
| Gross Premium                    | 25 712          | 31 292          | 46 158          | 849             | 22 337          | 34 887          | 14 398          | 175 633         |
| Gross Claims                     | 9 237           | 7 024           | 13 191          | 309             | 2 814           | 4 035           | 2 678           | 39 289          |
| Net Premium                      | 19 111          | 26 046          | 42 239          | 791             | 16 769          | 13 780          | 8 789           | 127 525         |
| Net Claims                       | 5 544           | 5 885           | 11 869          | 308             | 2 119           | 1 678           | 1 985           | 29 386          |
| Retention ratio                  | 74.3%           | 83.2%           | 91.5%           | 93.2%           | 75.1%           | 75.1%           | 39.5%           | 61.0%           | 72.6%           |
| Gross Loss Ratio                 | 35.9%           | 22.4%           | 28.6%           | 36.4%           | 12.6%           | 11.6%           | 18.6%           | 22.4%           |
| Net Loss Ratio                   | 29.0%           | 22.6%           | 28.1%           | 38.9%           | 12.6%           | 12.2%           | 22.6%           | 23.0%           |

*Workmen’s Compensation  
**Miscellaneous

2.7.2.4 Nigeria requires several types of compulsory insurance, including builder’s liability insurance, motor third party and group life insurance which should contribute to the growth of the industry as the country continues to expand economically (Insurance Consumers Association of Nigeria, 2011).

Figure 1 Total assets of the Nigerian insurance industry
2.8 Botswana

2.8.1 The Economic Climate

2.8.1.1 The global recession had a heavy impact on the Botswana economy, GDP in Botswana shrank by 7.8% in the year 2009. Since then Botswana has recovered significantly. Its real GDP growth in 2013 was 5.4%, up from the 4.2% growth experienced in 2012 (AfDB, OECD & UNDP, 2014).

2.8.1.2 Botswana has experienced a geometric year-on-year consumer price inflation of 8.5% since 2005 (AfDB, OECD & UNDP, 2014). Botswana’s monetary policy is to keep inflation between 3% and 6%. In June 2013 the consumer price inflation fell to 5.8% and declined to 4.1% in December 2013 due to falling food and transport prices which prompted the Bank of Botswana to reduce its lending rate from 9.0% in April 2013 to 8.0% in August 2013 (Kariuki, Abraha & Obuseng, 2014).

2.8.1.3 Botswana is considered a middle income economy: it has a GDP per capita of US$ 7 059 which exceeds South Africa’s of $6 354. The greatest contributor to the country’s GDP is the mining industry, and in particular, the diamond mining industry (AfDB, OECD & UNDP, 2014).

2.8.2 The Insurance Industry

2.8.2.1 The Botswana insurance industry is regulated by the Non-Bank Financial Institutions Regulatory Authority (referred to as NBFIRA). NBFIRA was given the mandate of detailed regulation and monitoring of the insurance industry in April 2008. The industry is regulated by the Insurance Industry Act which covers the regulation of insurers, reinsurers, brokers, agents, insurance surveyors, risk managers, loss adjusters and claims settlement agents. However, the primary focus is on monitoring insurance companies, brokers and agencies. The Insurance Industry Act distinguishes between life and non-life insurance and does not permit a company to offer both types of insurance (Jefferis & Tacheba, 2010).

2.8.2.2 The following table gives an indication of the size of the insurance industry in Botswana (NBFIRA, 2014).

<table>
<thead>
<tr>
<th>Type of Licensees</th>
<th>Total number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reinsurers</td>
<td>2</td>
</tr>
<tr>
<td>Life Insurers</td>
<td>8</td>
</tr>
<tr>
<td>Non-Life Insurers (General)</td>
<td>12</td>
</tr>
<tr>
<td>Insurance Brokers</td>
<td>40</td>
</tr>
<tr>
<td>Insurance Corporate Agents</td>
<td>204</td>
</tr>
<tr>
<td>Individual/sub agents (employed by insurers, brokers and corporate agents)</td>
<td>2 875</td>
</tr>
</tbody>
</table>
2.8.2.3 The insurance penetration of approximately 3.3% in Botswana (BMI, 2014c) can be considered relatively high when compared to the rest of Africa. Total gross written premiums (GWP) in Botswana amount to P3.684 billion. Unlike most East African and West African countries, the life insurance sector in Botswana contributes the most towards GWP. The life sector contributes to 69% of GWP, whereas the non-life sector contributes 31% to GWP (NBFIRA, 2014).

2.8.2.4 Botswana has experienced commendable growth in both the life and non-life sectors over the past few years, as highlighted in Table 6 (NBFIRA, 2014).

### Table 6 Gross written premium in Botswana

<table>
<thead>
<tr>
<th>Year</th>
<th>GWP Life</th>
<th>GWP Non-Life</th>
<th>% growth (Life)</th>
<th>% growth (Non-Life)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>1 391</td>
<td>707</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>1 699</td>
<td>850</td>
<td>22.1%</td>
<td>20.2%</td>
</tr>
<tr>
<td>2010</td>
<td>1 901</td>
<td>902</td>
<td>11.9%</td>
<td>6.0%</td>
</tr>
<tr>
<td>2011</td>
<td>2 137</td>
<td>1 016</td>
<td>12.4%</td>
<td>12.7%</td>
</tr>
<tr>
<td>2012</td>
<td>2 534</td>
<td>1 150</td>
<td>18.6%</td>
<td>13.1%</td>
</tr>
</tbody>
</table>

2.8.2.5 As of 31 March 2013, there were eight life insurers licensed in Botswana. The life sector is more than twice the size of the non-life sector and continues to grow at a rate that exceeds the non-life sector (NBFIRA, 2014).

2.8.2.6 IPR3L\(^6\) and IPR3G\(^7\) details the risk-based prescribed capital targets for life insurers and non-life insurers respectively.

### 3. REGULATORY REVIEW

#### 3.1 Compliance versus the ICPs

##### 3.1.1 Approach

3.1.1.1 This section compiles assessments that have been performed by KPMG on the supervision in the different countries with the Insurance Core Principles (referred to as ICPs) that were issued by the International Association of Insurance Supervisors (referred to as IAIS).

3.1.1.2 The ICP material is presented according to a hierarchy of supervisory material. The ICP statements are the highest level in the hierarchy. Standards are the next level in the hierarchy and are linked to specific ICP statements. Guidance material is the lowest level in the hierarchy and typically supports the ICP statement and/or standards.

3.1.1.3 This assessment was done on a principle level and did not assess compliance to standards and guidance in detail. The rating reflects the level of

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\(^6\) IPR3L, Prescribed Capital Target for Long-Term Insurers, NBFIRA, 2012b

\(^7\) IPR3G, Prescribed Capital Target General Insurance, NBFIRA, 2012a
observance for each ICP in the regulatory and supervisory approach with due regard to proportionality. Each ICP is rated in terms of the level of observance as follows:

a) **Observed** where all the standards are observed except for those that are considered not applicable. For a standard to be considered observed, the supervisor must have the legal authority to perform its duties and must exercise this authority to a satisfactory level.

b) **Largely observed** where only minor shortcomings exist, which do not raise any concerns about the authorities’ ability to achieve full observance.

c) **Partly observed** where, despite progress, the shortcomings are sufficient to raise doubts about the authorities’ ability to achieve observance.

d) **Not observed** where no substantive progress toward observance has been achieved.

e) **Not applicable** when the standards are considered to be not applicable.

3.1.1.4 The assessment was only based on the laws, regulations and other supervisory requirements that were in place at the time of the assessment. Any future developments or proposed legislation were not taken into account. Appendix A includes an outline of the current regulations reviewed in each of the territories for the purpose of this analysis. Appendix B includes a summary of the supervisory authorities in each of these territories.

3.1.1.5 For Nigeria, reliance was placed on the assessment already performed by the International Monetary Fund (referred to as IMF) and the World Bank, published in May 2013.

3.1.2 **Key Observations**

Appendix C contains the ICPs as per the IAIS requirements. The results of the ICP analysis are outlined in Table 7.

3.2 **Compliance versus the South African SAM**

3.2.1 **Approach**

3.2.1.1 This section focuses primarily on the high level review of the current insurance regulations in each of the territories covered against the European Solvency II regime. Because the South African Solvency Assessment and Management (referred to as SAM) principles are based on the Solvency II principles, the differences obtained in a gap analysis based on Solvency II principles versus SAM principles is not expected to be significant. A gap analysis of each country’s regulatory framework/guidelines/principles against the European Solvency II Directive (Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009) has been performed. The objective is to use the high level principles outlined in the Solvency II Directive as a basis for the South African SAM regime and to highlight inconsistencies with SAM recommended practices.
## Table 7 ICP analysis results

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
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<td>1</td>
<td>Objectives, powers and responsibilities of the supervisor</td>
<td>LObs</td>
<td>Obs</td>
<td>LObs</td>
<td>LObs</td>
<td>Obs</td>
<td>Obs</td>
<td>Obs</td>
<td>Obs</td>
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<td>PObs</td>
<td>LObs</td>
<td>LObs</td>
<td>Obs</td>
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<td>Information exchange and confidentiality requirements</td>
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<td>PObs</td>
<td>LObs</td>
<td>LObs</td>
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<td>Suitability of persons</td>
<td>Obs</td>
<td>LObs</td>
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<td>LObs</td>
<td>Obs</td>
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<td>PObs</td>
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<td>6</td>
<td>Changes in control and portfolio transfers</td>
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<td>LObs</td>
<td>PObs</td>
<td>Obs</td>
<td>Obs</td>
<td>PObs</td>
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<td>7</td>
<td>Corporate governance</td>
<td>Obs</td>
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<td>Obs</td>
<td>PObs</td>
<td>LObs</td>
<td>PObs</td>
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<tr>
<td>8</td>
<td>Risk management and internal controls</td>
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<td>PObs</td>
<td>PObs</td>
<td>LObs</td>
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<tr>
<td>9</td>
<td>Supervisory review and reporting</td>
<td>PObs</td>
<td>PObs</td>
<td>PObs</td>
<td>LObs</td>
<td>NObs</td>
<td>PObs</td>
<td>PObs</td>
<td>LObs</td>
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<tr>
<td>10</td>
<td>Preventive and corrective measures</td>
<td>PObs</td>
<td>LObs</td>
<td>Obs</td>
<td>Obs</td>
<td>Obs</td>
<td>LObs</td>
<td>LObs</td>
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<td>Obs</td>
<td>Obs</td>
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<td>Winding-up and exit from the market</td>
<td>Obs</td>
<td>Obs</td>
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<td>LObs</td>
<td>Obs</td>
<td>Obs</td>
<td>Obs</td>
<td>Obs</td>
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<td>13</td>
<td>Reinsurance and other forms of risk transfer</td>
<td>LObs</td>
<td>PObs</td>
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<td>Obs</td>
<td>PObs</td>
<td>NObs</td>
<td>PObs</td>
<td>LObs</td>
<td>LObs</td>
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<td>16</td>
<td>Enterprise risk management for solvency purposes</td>
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<td>PObs</td>
<td>NObs</td>
<td>PObs</td>
<td>NObs</td>
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<td>Obs</td>
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<td>PObs</td>
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<td>19</td>
<td>Conduct of business</td>
<td>Obs</td>
<td>NObs</td>
<td>Obs</td>
<td>LObs</td>
<td>PObs</td>
<td>PObs</td>
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<td>PObs</td>
<td>NObs</td>
<td>PObs</td>
<td>NObs</td>
<td>PObs</td>
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</tr>
</tbody>
</table>

**KEY:** LObs = Largely observed  
Obs = Observed  
PObs = Partially observed  
NObs = Not observed
3.2.1.2 In order to carry out a high-level comparison against the SAM requirements, the relevant Insurance Acts, Regulations and Guidelines were reviewed. The gap analysis has been performed per territory to the level of the Articles as outlined in the Solvency II Directive (Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009), which support the overarching SAM principles. The territories considered include: Kenya, Uganda, Tanzania, Burundi, Rwanda, Ghana, Botswana and Nigeria. The following themes and corresponding Articles as outlined in the Solvency II Directive were identified for inclusion in the comparison:

- a) valuation of assets and liabilities
- b) rules relating to technical provisions
- c) capital requirement
- d) minimum capital requirement
- e) public disclosure
- f) systems of governance
- g) supervisory reporting

### Key Observations

3.2.2.1 The greatest areas of strength relate to compliance with the presence of a minimum capital requirement as well as the role of actuarial function. Articles 76, 100, 41, 44, 45, 48 and 35 exhibit only partial observance on average. There are of course some anomalies present, but with respect to these principles, these are minor in most cases. In some cases, the standards for the applicable principle are largely not recognised in local regulations.

3.2.2.2 The greatest area of weakness relates to the capital requirements: capital requirement being calibrated so as to ensure that all quantifiable risks to which an insurance or reinsurance undertaking is exposed are taken into account and where the minimum capital requirement represents the amount of eligible basic own funds below which policy holders and beneficiaries are exposed to an unacceptable level of risk.
3.2.2.3 The results of the SAM analysis are outlined in Table 8.

**Table 8 SAM analysis results**

<table>
<thead>
<tr>
<th>Theme</th>
<th>Article No</th>
<th>Kenya</th>
<th>Uganda</th>
<th>Burundi</th>
<th>Rwanda</th>
<th>Tanzania</th>
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<th>Botswana</th>
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<td>Valuation of assets and liabilities</td>
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<td>Capital requirement</td>
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<td>Obs</td>
<td>Obs</td>
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<td>Supervisory reporting</td>
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</tbody>
</table>

**3.2.3 Group Supervision**

3.2.3.1 Under its Solvency Assessment and Management project, the FSB initially established an Insurance Groups Task Group. The recommendations regarding supervisory, reporting and governance frameworks for insurance groups were expected to be reviewed by the FSB and National Treasury and then enacted by means of what was called the Insurance Laws Amendment Bill (referred to as ILAB) (National Treasury, 2013).

3.2.3.2 In April 2014 Finance Minister Pravin Gordhan asked that the Insurance Laws Amendment Bill be withdrawn. Shortly thereafter the FSB in April 2014 announced that the requirements that were going to be included in the ILAB will now be introduced through alternative means as follows:

a) Enhanced governance and risk management framework requirements will be introduced through a Board Notice, possibly for implementation by 1 January 2015; and

b) A formal framework for insurance group supervision will be provided for through the Twin Peaks process. The effective date of implementation of the formal framework for group-wide supervision will be announced later in 2014.
and will depend on the parliamentary process in respect of the Twin Peaks Bill. (FSB, 2013).

3.2.3.3 According to the ILAB requirements, the insurance group supervisory framework will apply to an “insurance group” where insurance groups are defined as groups including two or more entities of which at least one is an insurer and one has significant influence on the insurer. The significance of influence is determined based on: participation, influence and/or other contractual obligations, interconnectedness, risk exposure, risk concentration, risk transfer and/or intra-group transactions (National Treasury, 2013).

3.2.3.4 Insurance groups will cover all relevant entities (including holding companies, non-regulated entities and special purpose vehicles). This means that group-wide regulatory requirements may now extend to companies in Africa that previously may not have been subject to such regulations. The scope will also extend to risk concentrations and intra-group transactions (National Treasury, 2013).

3.2.3.5 It can be expected that group supervision under SAM will be much wider than just considering group solvency. It will be a regulatory and supervisory tool aimed at helping supervisors assess the risk that a (re)insurer’s membership of a group brings to the policyholders of that company. Group solvency assessments will be an important part of this, but of equal, if not greater, importance are the group’s governance and risk management processes. The following aspects of group supervision need to be considered:

a) An effective risk management system should be established and maintained.

b) A group own risk and solvency assessment (referred to as ORSA) is required to be undertaken regularly and when the risk profile of the insurance group changes materially.

c) Insurance groups will be required to calculate the financial soundness condition of the group at least annually. The financial soundness condition also needs to be estimated at least quarterly.

3.2.3.6 The following items are expected to be required in terms of ILAB (National Treasury, 2013):

a) Insurance groups need to ensure that their group structures are transparent.

b) A non-operating holding company must adopt, implement and document an effective governance framework. This framework should provide for the prudent management and oversight of the insurance group’s business (including the business of regulated and non-regulated persons) and adequately protect the interests of insurers (and their policyholders) that are part of the insurance group.

c) There is a requirement for group disclosure and supervisory reporting.
3.2.3.7 With the impending group supervision legislation, there are a number of structural, operational and compliance matters for groups to consider as part of their growth strategies into Africa. The key to success is addressing these challenges through an integrated group supervision strategy that aligns to the broader business objectives. The following observations for consideration have been noted:

a) Groups will need to consider whether the current group structure will be most efficient under SAM, taking into account group supervision and other business considerations.

b) African subsidiaries may find that under SAM they need to comply with the requirements of a stricter group regulator.

c) With regard to group supervision implications for African subsidiaries, it is important that proportionality be kept in mind in applying risk management and capital requirements to a proportionally smaller earnings contributor to overall group profitability.

d) Where deemed necessary, the FSB will have the right to add an additional capital requirement for any risks not reflected in the insurance group solvency submitted.

e) Groups will need to develop suitable, bespoke internal procedures, including effective global frameworks to manage, monitor and report worldwide group risk and capital – that will also incorporate their subsidiaries in Africa. This will enable them to demonstrate to the supervisor the impact of this at an insurance entity level.

3.2.4 Proportionality

3.2.4.1 The question that insurance groups will face is how to comply with these Pillar 2 requirements for companies that are in Africa given the nature, scale and complexity of the risks that these companies underwrite. Since regulations in Africa are not as onerous as SAM requirements at this stage, it is likely that companies may need to implement frameworks to comply with Pillar 2 requirements that fall somewhere between complying with local regulations and SAM regulations.

3.2.4.2 Companies will also need to consider the availability of skills and systems in place when they consider how sophisticated the frameworks are that they implement. They could consider using their South African policies and frameworks and possibly adjusting them for African subsidiaries where necessary.

3.2.4.3 At the moment it can potentially be considered unlikely that African countries might get a form of “third country equivalence”. However, the FSB might on the other hand exempt African companies within insurance groups from fully complying with SAM requirements for Pillar 1 and Pillar 2 – further regulatory guidance is expected to shed light on this matter.
3.3 EAC Harmonisation of Insurance Regulation

3.3.1 About the EAC

3.3.1.1 The East African Community (referred to as EAC) is the regional inter-governmental organisation of the Republics of Burundi, Kenya, Rwanda, the United Republic of Tanzania, and the Republic of Uganda, with its headquarters in Arusha, Tanzania.

3.3.1.2 The Treaty for Establishment of the East African Community was signed on 30 November 1999 and entered into force on 7 July 2000 following its ratification by the original three partner states – Kenya, Tanzania and Uganda. The Republics of Rwanda and Burundi became a part of the EAC Treaty on 18 June 2007 and became full members of the Community with effect from 1 July 2007 (EAC, unpublished).

3.3.1.3 The vision of EAC is a prosperous, competitive, secure, stable and politically united East Africa; and the mission is to ‘widen and deepen economic, political, social and cultural integration in order to improve the quality of life of the people of East Africa through increased competitiveness, value added production, trade and investments’ (EAC, unpublished).

3.3.2 Impact of the Draft Regulations

3.3.2.1 There have been intense efforts by the EAC Secretariat to foster regional growth and harmonisation of the five partner states. So far we have seen the following commendable steps towards achieving the EAC’s vision of a prosperous, competitive, secure, stable and politically united East Africa (EAC, unpublished):

− The Monetary Union protocol (that seeks to foster a single currency);
− Customs Union Protocol (seeks to ensure the formation of a single customs territory); and
− Common Market Protocol (that seeks to ensure a single market with free movement of people, services, labour and capital).

3.3.2.2 EAC Financial Sector Development and Regionalization Project I (EAC – FSDRP I) was established by the East African Community Secretariat in collaboration with the World Bank and other development partners after the signature and ratification of the Common Market Protocol in 2010. The Project Development Objective is to establish the foundation for financial sector integration among EAC partner states (Kenya, Burundi, Rwanda, Uganda and Tanzania) (Othieno, 2013).

The FSDRP I is structured into six components (Othieno, 2013):

a) Financial inclusion and strengthening market participants;
b) Harmonisation of financial laws and regulations against common standards;
c) Mutual recognition of supervisors;
d) Integration of financial market infrastructures;
e) Development of a regional bond market; and
f) Capacity building at the EAC, of financial sector regulators and market practitioners as well as the general public through mass education.
3.3.2.3 The second component involves the move towards legal and regulatory harmonisation in banking and accounting, securities markets, insurance, pensions, investment funds critical to achieving an effective functioning of a single market in financial services via EAC Acts. The current project closing date is reflected as June 2015. The draft harmonised regulatory framework was not available at the time of this study (World Bank, 2014).

3.3.2.4 With EAC integration, the stability and efficiency of the insurance sector remains an important prerequisite for regional growth and development. Insurance entities are significant participants in capital markets and hold large quantities of government securities to support technical provisions (KPMG Kenya, 2013).

3.3.2.5 The secretariat envisages a regional insurance sector that will provide opportunities for insurers to be able to operate freely in the markets of each of the partner states. The overall vision is where policy holders will be able to purchase insurance coverage in any one of the participating countries. Under these circumstances, proper regulation and supervision of the activities of the insurance sector remains vital (EAC, unpublished).

3.3.2.6 Some observations on the impact of this integrated insurance regulation framework include:

a) It will provide a critical benchmark for regulators and market players in designing appropriate structures for business conduct rules and risk-based capital adequacy requirements across the region. This will also impact on the insurers looking to expand into the EAC partner states who will have to be compliant with these revised regulations.

b) The creation of a single financial services market will also contribute to realisation of the Common Market Protocol, by encouraging the attainment of the four freedoms i.e. movement of goods, labour, services and capital.

c) The harmonised framework will contribute to an increased level of co-operation and information-sharing across the partner states. To achieve this, the current regulatory structures within the EAC need to be strengthened through creation of a formal framework for coordination and information-sharing across the regulatory agencies to close the loopholes for regulatory arbitrage and to ensure safety and soundness of the insurance sector.

d) The principles and associated standards of the ICPs are recognised to varying extents in each of the member state insurance regulations and/or guidelines. Member states are also at varying stages of implementing their insurance regulatory frameworks, and the maturity of each insurance industry is also at different stages of development. The implementation of a harmonised regulatory framework will impact these states in varying levels.

e) There will be increased market competition in previously fragmented markets, which will stimulate incentives for innovation and market entry within the EAC.

f) Businesses in the EAC region currently confront high regulatory risks due to a lack of transparency in policy processes, and unpredictable enforcement of
these. This harmonised regulatory framework will be beneficial in increasing the predictability and transparency of regulations affecting businesses which will translate to the fair treatment of policyholders.

g) The Secretariat has also emphasised the importance of improving stability and predictability in regulatory practices by removing the discretion of partner states to unilaterally change regulations.

h) However, there may be concerns that some countries will benefit at the expense of others. This fact is evident in the recently seen battle for supremacy brewing between the partner states that may render the process of regional integration and harmonisation futile. Politics is causing by far the biggest divide by building more walls instead of building the regional blocks as has been the case with trade.

3.4.2.7 According to the EAC Deputy Secretary General in charge of Planning and Infrastructure, Dr Enos Bukuku: “There is no doubt that an EAC regional market will provide a wider scope and depth for issuers and investors and leverage our region to be more competitive from a global outlook.” (EAC, unpublished).

4. PRACTICAL CONSIDERATIONS FOR GROWTH STRATEGIES INTO AFRICA

4.1 Market Behaviour and Industry

4.1.1 Insurance Penetration

4.1.1.1 The insurance penetration rate, calculated as the gross value of written insurance premiums as a percentage of GDP, is often used as a measure of how deep the local insurance market is (KPMG, 2013). Figure 2 indicates the life and non-life insurance penetration rates for 2013 worldwide split by region (Swiss Re, 2014).

![Figure 2 Insurance penetration 2013 by world region (Swiss Re, 2014)]
4.1.1.2 On an overall level, Africa’s total insurance penetration exceeds Latin America and the Caribbean, Central and Eastern Europe, Emerging Asia and that of Middle Eastern and Central Asia. Figure 3 also shows that the overall insurance penetration in Africa exceeds that of all emerging markets considered together (Swiss Re, 2014).

4.1.1.3 However, life insurance premiums in Africa totalled US$49.9 billion in 2012, of which South Africa accounted for 89.8%. After excluding South Africa, the life insurance penetration rate in Africa went down to 0.31%, while non-life insurance remained slightly more popular, with a penetration rate of 0.73% looking at 2012 figures (KPMG, 2013). The insurance penetration rate for each of the countries considered in this paper is shown in Figure 4 (BMI, 2014c).

4.1.1.4 As can be seen above, there is a large difference between the penetration of life and non-life insurance for the countries under consideration (as is generally the case for the rest of the continent). Life insurance is particularly underdeveloped outside of South Africa due to poverty. Individuals will only start to think about long-term savings once their short-term needs are fulfilled, which means that life insurance is not an affordable option for most people on the continent. Other reasons for the life insurance industry’s underdevelopment are a lack of data on mortality and longevity as well as a lack of actuarial skills (KPMG, 2013).

4.1.1.5 It is however interesting to note that the non-life penetration figures between Kenya and South Africa are relatively similar, being 2.41% compared to 2.72% respectively (BMI, 2014c). Business Monitor International regards Kenyan insurance companies as proactive and innovative, taking steps to develop both traditional and alternative distribution channels. Many of the new products that are being brought to

\[\text{Figure 3 Insurance penetration 2013 advanced vs. emerging markets (Swiss Re, 2014)}\]
market focus on low income groups who do not currently use insurance (BMI, 2014a). This could potentially be seen as a contributing factor for the high penetration levels compared to other regional countries.

4.1.1.6 Due to the near-absence of life insurance on the continent (outside of a few countries), the non-life insurance segment dominates the industry (BMI, 2014c). As at 4 July 2014, expected premium figures reported for 2013 by Business Monitor International indicates that after excluding South Africa, the life insurance segment accounts for approximately 37% of total premiums on the continent (BMI, 2014c). This is quite different from the global situation, where the life insurance segment has a 56.1% share of the market (Swiss Re, 2014).

4.1.1.7 Figure 5 compares the penetration rates for life and non-life insurance for the countries investigated in this research paper with the averages for emerging and advanced economies, the different world regions, as well as the world overall. It suggests that South Africa’s life insurance market relative to its non-life insurance is unusually large. Business Monitor International also indicates that South Africa’s life insurance industry accounts for 80.4% of all insurance premiums in the country during 2013 (BMI, 2014c). The only other African country considered in this paper that has a larger life insurance segment than non-life segment is Botswana (BMI, 2014c).

4.1.1.8 KPMG references in their 2013 Financial Services in Africa Report that insurance companies traditionally target only the richest 5% of the adult population, with most poor people having no insurance (KPMG, 2013). Even in South Africa, which has a well-developed insurance market, less than 30% of low-income adults have insurance. The figure for the rest of Africa is even higher. This presents an opportunity for micro-insurers to sell low-cost products to the poor and hence increase insurance penetration across the African continent (KPMG, 2013).
4.1.2 Market Composition

4.1.2.1 There is an overall higher non-life penetration in Africa, with the number of licensed regulated non-life insurance companies exceeding the number of life insurance companies in each of the countries investigated (KPMG, 2013).

4.3 Capital Requirements

4.3.1 Kenya

4.3.1.1 The minimum paid-up capital requirements as per the Insurance Act of 2013 are as follows:

- Non-life insurer KES 300mn;
- Life insurer KES 150mn; and
- Composite insurer KES 450mn.

- Reinsurers must have a paid up capital of at least KES 800mn, divided into KES 300mn for long-term business and KES 500mn for short-term business.

4.3.1.2 It has been observed that a risk-based supervisory framework is also currently under development.

4.3.2 Uganda

4.3.2.1 Insurance companies underwriting life insurance business are required to have minimum capital of Ush 3bn while non-life insurers will require Ush 4bn. Reinsurers will require a minimum capital of Ush 10bn (The Uganda Gazette No 31, 2013).

4.3.2.2 Composite insurance companies in Uganda are also expected to comply with a new law requiring them to separate their general and long term business units.
by 1 October 2014, as the country moves towards aligning its insurance sector with the rest of the East African region (Mgobo, unpublished).

4.3.3 **Tanzania**

4.3.3.1 The capital requirements are detailed in the insurance regulations of 2009. As at 31 December 2012 the capital requirements applicable to life insurers and non-life insurers amounted to TSh 1.5bn, however, for companies transacting non-life and non-marine business the requirement was half of this. The requirements applicable to a composite insurer was set at TSh 2bn. As at 31 December 2010 the requirement for a reinsurer was set at TSh 5bn.

4.3.3.2 Each subsequent year thereafter the capital must increase as per the following instructions: minimum paid-up share capital of the prior year multiplied by the lower of the current year consumer price index divided by the prior year consumer price index, and 1.1.

4.3.3.3 Insurers are required to establish and maintain at the Bank of Tanzania a security deposit of at least half of the prescribed minimum paid-up capital. As per section 20 of the regulations the deposit is to be considered as part of the capital assets of the insurer.

4.3.4 **Rwanda**

4.3.4.1 The share capital requirement for insurance companies in Rwanda equals R₣ 1bn. The law states that an insurer carrying on long-term insurance business or short-term insurance business shall ensure that at all times its paid-up minimum share capital of R₣ 1 billion and every share issued by the insurer shall be fully paid for (Mgobo, unpublished).

4.3.5 **Burundi**

4.3.5.1 As of 29 November 2002 insurance companies in Burundi are subject to a capital requirement of BIF 300,000,000. Furthermore, no shareholder is allowed to hold more than 33% of the share capital.\(^8\)

4.3.6 **Ghana**

4.3.6.1 The minimum capital requirements for insurance companies was increased from the cedi equivalent of US$ 1mn (as per the Insurance Act of 2006) to US$ 5mn in 2010 and compliance was required by December 2012.\(^9\) The capital requirement for reinsurance companies is currently still set at the cedi equivalent of US$ 2.5m as per the Insurance Act of 2006.

4.3.6.2 In terms of Section 73 of the Insurance Act of 2006 a deposit of 10%...
of the above amounts must be placed as security with the Bank of Ghana. It was also observed during February 2014 that the National Insurance Commission (“NIC”) issued a draft new solvency framework for comments. The framework aims to make adequate provisions for a risk-sensitive approach to assessing the solvency of insurers.

4.3.7 Nigeria

4.3.7.1 The current capital requirements are as follows (IMF & World Bank, 2013):
— Non-life insurers – NGN 3bn;
— Life insurers – NGN 2bn;
— Composite insurers – NGN 5bn; and
— Reinsurers – NGN 10bn.

4.3.7.2 As per section 10 of the Insurance Act of 2003, new insurance companies are required to deposit 50% of the minimum prescribed paid-up share capital with the Central Bank of Nigeria on application. On registration 80% thereof will be returned with interest. It has also been observed in practice that NAICOM is working on new relevant regulations that will in due course introduce risk-based regulation to market.

4.3.8 Botswana

4.3.8.1 The minimum paid-up share capital requirement for all insurers is currently set at P2 million. Although a relatively simple calculation compared to the Pillar I capital calculations under SAM, IPR3L and IPR3G details the risk-based prescribed capital targets for life insurers and non-life insurers respectively (NBFIRA, 2012a & NBFIRA, 2012b).

4.4 Consumer Behaviour

4.4.1 How African Customers currently deal with Risk

4.4.1.1 The Centre for Financial Regulation and Inclusion (referred to as Cenfri) is a non-profit think tank collaborating with universities in the Cape Town region. Cenfri’s mission is to support financial sector development and financial inclusion through facilitating better regulation and market provision of financial services.11 Enhancing Financial Innovation and Access (referred to as EFInA) is a financial sector development organisation that aims to promote financial inclusion in Nigeria. It is funded by the United Kingdom Government’s Department for International Development and the Bill and Melinda Gates Foundation.12

4.4.1.2 Cenfri published a paper titled “Opportunities for Financial Inclusion in Nigeria” in which they explored the potential in the Nigerian insurance market using

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12 EFInA, www.efina.org.ng/
data from the EFInA Access to Finance in Nigeria surveys (Vos, Hougaard & Smith, 2011).

4.4.1.3 Following a death in the household, nearly half of the sample population did not do anything/were not able to do anything to mitigate the associated financial impact. Only 0.3% of the sample used an insurance policy to mitigate the financial implications, whereas roughly 14% resorted to borrowing money from various sources. Roughly a quarter had to dig into their savings to cope with the financial impact. It is clear that the death of a breadwinner is very likely to adversely affect the livelihood of their families to a very large degree as life insurance cover has not been used widely at all (Vos, Hougaard & Smith, 2011).

4.4.1.4 Similarly, serious illness in a household resulted in 49% of respondents had to rely on prior savings to deal with the financial impact. Only 0.2% made use of an insurance product to mitigate the risk whereas 13.6% did nothing/were unable to do anything. Almost 16% of respondents resorted to borrowing from family while more than 11% resorted to selling assets or livestock (Vos, Hougaard & Smith, 2011).

4.4.1.5 The agricultural industry is also quite significant across the continent and many consumers rely on the sector, either being agricultural producers themselves or by relying on the associated produce. Following the destruction of agricultural crops or livestock, about 45% of respondents did not do anything/were unable to do anything to mitigate the financial impact of the loss. Only 0.2% made use of an insurance policy to mitigate the impact whereas 18.6% had to use their own savings to cope with the loss (Vos, Hougaard & Smith, 2011).

4.4.1.6 Motor vehicle accidents represent the risk where the largest proportion of adults used insurance to mitigate the financial impact. This figure is still very low at 0.6% though. One also needs to take into account that motor third party liability insurance is compulsory in the Nigerian market and this may therefore be the reason for the marginally higher use of insurance as protection against motor vehicle accidents, compared to other risks (Vos, Hougaard & Smith, 2011).

4.4.1.7 Table 10 indicates the coping mechanisms used by Nigerian adults to deal with insurable risk events (Vos, Hougaard & Smith, 2011).

4.4.1.8 The Kenya Financial Sector Deepening (FSD) programme was established in early 2005 to support the development of financial markets in Kenya as a means to stimulate wealth creation and reduce poverty. Working in partnership with the financial services industry, the programme’s goal is to expand access to financial services among lower income households and smaller enterprises. Table 11 details the results of the 2013 survey conducted on developments on financial access in Kenya. As can be seen, almost 80% of respondents have never owned an insurance policy of any kind previously (FinAccess, 2013).

<table>
<thead>
<tr>
<th>Insurable event</th>
<th>Death of a relative in the household</th>
<th>Serious illness of a household member</th>
<th>Theft of household property</th>
<th>Failure of business</th>
<th>Theft of agricultural crop/livestock</th>
<th>Vehicle/car accident</th>
<th>Member of household lost job</th>
<th>Agricultural crop/livestock destroyed</th>
<th>Separation/divorce in the household</th>
<th>Fire in the household</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sell livestock</td>
<td>2.20%</td>
<td>3.20%</td>
<td>2.60%</td>
<td>3.60%</td>
<td>3.00%</td>
<td>4.30%</td>
<td>4.10%</td>
<td>2.80%</td>
<td>0.80%</td>
<td>3.70%</td>
</tr>
<tr>
<td>Sell assets</td>
<td>1.30%</td>
<td>3.30%</td>
<td>2.50%</td>
<td>3.00%</td>
<td>1.30%</td>
<td>3.20%</td>
<td>3.20%</td>
<td>1.60%</td>
<td>0.80%</td>
<td>4.50%</td>
</tr>
<tr>
<td>Cut down on expenses</td>
<td>3.70%</td>
<td>6.10%</td>
<td>5.60%</td>
<td>5.10%</td>
<td>3.70%</td>
<td>5.90%</td>
<td>8.70%</td>
<td>8.70%</td>
<td>0.40%</td>
<td>8.00%</td>
</tr>
<tr>
<td>Wait/ask for donations</td>
<td>10.50%</td>
<td>8.40%</td>
<td>3.90%</td>
<td>3.90%</td>
<td>3.70%</td>
<td>5.90%</td>
<td>9.70%</td>
<td>10.10%</td>
<td>8.00%</td>
<td>19.90%</td>
</tr>
<tr>
<td>Borrow money from employer</td>
<td>0.30%</td>
<td>0.60%</td>
<td>2.50%</td>
<td>0.60%</td>
<td>2.80%</td>
<td>5.00%</td>
<td>4.00%</td>
<td>0.40%</td>
<td>0.20%</td>
<td>9.10%</td>
</tr>
<tr>
<td>Borrow money from family or friend</td>
<td>9.60%</td>
<td>15.70%</td>
<td>6.20%</td>
<td>17.40%</td>
<td>9.90%</td>
<td>8.70%</td>
<td>9.70%</td>
<td>1.90%</td>
<td>9.10%</td>
<td>19.90%</td>
</tr>
<tr>
<td>Use own savings</td>
<td>24.40%</td>
<td>49.00%</td>
<td>19.20%</td>
<td>34.50%</td>
<td>15.90%</td>
<td>41.00%</td>
<td>16.90%</td>
<td>18.60%</td>
<td>5.30%</td>
<td>22.90%</td>
</tr>
<tr>
<td>Borrow money from other sources</td>
<td>4.10%</td>
<td>4.90%</td>
<td>2.50%</td>
<td>6.90%</td>
<td>2.80%</td>
<td>5.10%</td>
<td>5.60%</td>
<td>3.50%</td>
<td>1.00%</td>
<td>3.80%</td>
</tr>
<tr>
<td>Used insurance policy</td>
<td>0.30%</td>
<td>0.20%</td>
<td>0.20%</td>
<td>0.20%</td>
<td>0.20%</td>
<td>0.20%</td>
<td>0.40%</td>
<td>0.40%</td>
<td>0.20%</td>
<td>0.20%</td>
</tr>
<tr>
<td>Did nothing</td>
<td>49.70%</td>
<td>13.60%</td>
<td>26.60%</td>
<td>60.40%</td>
<td>26.20%</td>
<td>46.80%</td>
<td>44.80%</td>
<td>78.80%</td>
<td>21.20%</td>
<td>31.20%</td>
</tr>
<tr>
<td>Don't know</td>
<td>3.30%</td>
<td>1.70%</td>
<td>1.50%</td>
<td>1.50%</td>
<td>2.20%</td>
<td>4.70%</td>
<td>4.00%</td>
<td>3.20%</td>
<td>7.80%</td>
<td>3.80%</td>
</tr>
</tbody>
</table>
4.4.1.9 Even though insurance seems to be a more popular financial services product than investment products or retirement savings, it is clear to see that insurance is not used as a mitigation tool by the majority of consumers to protect themselves against various financial risks in Nigerian and Kenya. It is also likely that a similar (or perhaps even lower) reliance is put on insurance as a financial risk mitigation tool by consumers in the rest of Africa considering the comparative penetration rates observed in other countries.

4.4.2 Why not use Insurance?

4.4.2.1 Given that insurance is not generally used as a financial risk mitigation tool, one needs to consider the possible reasons for this. For example, insurance might simply not be a financially viable option to some consumers. EFInA found in their 2012 survey that Nigeria had about 1.3 million policyholders at the time, representing only 1.5% of the adult population (EFInA, 2012). The top three barriers to having insurance were found to be a lack of understanding, affordability and that consumers do not know where to get insurance (EFInA, 2012). Figure 6 indicates the responses on the reasons for not having any form of insurance as provided in the survey (please note that the results are not mutually exclusive and respondents could have provided more than one answer).

4.4.2.2 The fact that almost 35% of respondents are unaware of the benefits of insurance (EFInA, 2012) potentially implies that education on the benefits of insurance may be needed. The unaffordability of insurance may also imply that the current product offering is not tailored to the existing consumer market and could provide supporting evidence for the introduction of micro-insurance products.

4.4.2.3 22.7% of respondents indicated that they do not know where to get insurance products (EFInA, 2012). Consideration could therefore be given to developing appropriate and efficient distribution channels to ensure access is easily available to consumers in the market.

4.4.2.4 Given that 20.6% of respondents indicated that they do not believe in the concept of insurance (EFInA, 2012), this potentially speaks to their perception of market practices. However, religious and cultural practices are also of specific importance and could contribute to this perception.

4.4.2.5 The 2013 FinAccess 2013 survey results from Kenya indicate that a higher insurance uptake is associated with a higher level of education and wealth.
Even though no specific reference is made in the results, it should be kept in mind that these two factors are likely to be correlated. The majority of the 17.3% of insured adults are made up of consumers with a tertiary education.

Table 12 Insurance uptake by education level (FinAccess, 2013)

<table>
<thead>
<tr>
<th>Education level</th>
<th>Insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>2.40%</td>
</tr>
<tr>
<td>Primary</td>
<td>8.80%</td>
</tr>
<tr>
<td>Secondary</td>
<td>24.10%</td>
</tr>
<tr>
<td>Tertiary</td>
<td>63.70%</td>
</tr>
</tbody>
</table>

4.4.2.6 Similarly, Table 13 illustrates that insurance is a more attractive financial service product amongst wealthier consumers. Hence, the appropriateness of product offerings available to lower income consumers with a lower degree of education may need to be considered.
Table 13 Insurance uptake by financial status (FinAccess, 2013)

<table>
<thead>
<tr>
<th>Wealth quintile</th>
<th>Insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wealthiest</td>
<td>44.70%</td>
</tr>
<tr>
<td>Second wealthiest</td>
<td>22.50%</td>
</tr>
<tr>
<td>Middle</td>
<td>11.20%</td>
</tr>
<tr>
<td>Second poorest</td>
<td>5.40%</td>
</tr>
<tr>
<td>Poorest</td>
<td>2.50%</td>
</tr>
</tbody>
</table>

4.5 Distribution

4.5.1 Life insurance companies use various means of distributing their products, with varying success across the globe. Their level of success is a factor of the specific environment that exists within that country. Factors include demographics, regulations, market maturity and consolidation, as well as consumer sentiment. A successful distribution channel needs to address all of these variables and tailor both the product and sales process to suit the environment (Atkins, 2007).

4.5.2 Although traditional distribution channels i.e. brokers and intermediaries are used in more developed markets in Africa, insurance is mostly distributed through alternative distribution channels. These distribution channels include bancassurance and affinity partnerships/alternative distribution channels (Lloyd’s Microinsurance Center, 2009).

4.5.3 These distribution channels are preferred because traditional distribution channels serve affluent markets, mainly in industrialised countries, where insurance penetration is high and markets often seem saturated (Lloyd’s Microinsurance Center, 2009). However, in Africa, insurance penetration is low and levels of income are generally low (Wrench, unpublished). When designing and distributing insurance in Africa, an insurance company could therefore potentially consider the following:

a) wider reach and footprint,
b) economies of scale,
c) simple administration, and
d) low levels of customer advice required.

4.5.4 Bancassurance

4.5.4.1 Bancassurance can informally be defined as the selling of insurance and banking products through the same channel, most commonly through bank branches selling insurance. One of the sales synergies comes through the extensive customer bases that banks have. Some come from opportunities to sell insurance together with some banking products (Mcvostin, unpublished), especially funeral cover, which can be sold when opening a bank account. Although borrowers are not obliged to buy insurance from the lender, many do as it is an easy option.

4.5.4.2 Credit cards and personal loans also create opportunities for banks
and micro finance lenders to sell protection insurance and the knowledge a bank has of its customers’ finances creates opportunities to sell other products (Mcvostin, unpublished).

4.5.4.3 Sanlam, one of the largest South African insurers, is currently working with local banks to establish a distribution channel for their products into Africa. The bank sponsors the customers’ premiums, in return for the benefit of having larger deposits with the bank i.e. the banks also gain value by growing their market and encouraging people to open up a bank account and save a large deposit with them. From the customer’s point of view, they are getting the insurance for ‘free’ which will enable them to build a level of trust and understanding in respect of this market at no cost to them (Wrench, unpublished).

4.5.5 Alternative Distribution Channels

4.5.5.1 As mentioned in paragraph 4.5.3, given the challenges in Africa, insurance companies have explored other channels to distribute insurance products.

4.5.5.2 Mobile phone penetration in Africa is estimated to be 80% and continues to grow.14 This could therefore provide insurance companies with a greater reach and wide footprint. Mobile network operators (referred to as MNOs) also provide ways to collect and pay claims. The products sold through this channel are usually simple to understand and little advice is required. An example of such a partnership is Airtel Ghana and Enterprise Life in Ghana.15

4.5.5.3 Sanlam is also working with local telecommunications companies to build their insurance market in Africa. In this example, the telecommunications company will sponsor the customer’s premium depending on the amount of airtime bought in the previous month. The customer will be encouraged in this way to buy more airtime to qualify for the ‘free’ insurance cover, enabling the insurance company to build a level of trust with the policyholders and grow the insurance penetration in the region (Wrench, unpublished). This arrangement also allows them to communicate with policyholders via SMS on a regular basis (where USSD technology is more favourable than smartphones).

4.5.5.4 Post offices have also proven to be a popular means of selling insurance mostly in the sub-Saharan African countries. Given the large extent of the branch network across the countries, post offices are also a preferred way of distributing insurance products. For example, Hollard Botswana has partnered with Botswana Post to distribute their funeral product (Newel, 2014).

4.5.5.5 Like the post office, some retailers have a wide footprint in the countries in which they operate in, leading to the conclusion that insurance companies may have a potential opportunity to distribute their products to a wider market. Examples of

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such retailers could include grocery stores and furniture outlets. It has been observed in practice that this model seems to have been successful in South Africa, however research performed for this publication on the success of retail outlets as a distribution channel elsewhere in Africa could not be found.

4.6 Product Development

4.6.1 General

4.6.1.1 Optimal product design and development has become a key business focus point for profitable growth and for delivering new products to the market for today’s insurers. Insurers that are innovative and invest in new solutions and use new ideas and technologies to change the underlying process to automate and streamline their product-development processes will find themselves with greater sales volumes and more satisfied customers because of proper product fit (Harris-Ferrante, 2004).

4.6.1.2 It can be concluded that the African continent is constantly undergoing change. The innovation of mobile money such as MPESA, political unrest, a growing middle class while at the same time a widening gap between the rich and the poor, are among the factors driving the insurers to work harder than ever before to remain competitive and profitable.

4.6.1.3 The consensus is that the insurance market will change and over time the most successful insurers will be the ones that can offer innovative, differentiated products that appeal to increasingly savvy and technologically empowered customers. Customised niche products in life, health and property are the next phase in insurance. Capitalising on that trend will require dynamic product life cycle models designed to quickly take advantage of fluctuating market and customer demands, as well as information systems and data to help identify, predict and manage those demands (Bisker, 2006).

4.6.1.4 As discussed at the ASSA Microinsurance Sessional in June 2014, products in these countries need to be kept simple with few or no exclusions (because it is more costly to enforce the exclusions than to pay claims). Terms and conditions need to be worded in simple language. It was also noted that there may be cases where life and non-life risks are covered under one policy, for example one policy paying out in event of death, fire or hospital admission.

4.6.2 Constraints to Product Development and Barriers to Innovation

4.6.2.1 Some of the constraints to product design and development as well as business expansion in these African countries may be expected to include:

a) Lack of required and experienced human capital or skills. To develop new products and identify potential customer needs for new products, insurance companies need input from actuarial and underwriting professionals. These skills are scarce in most Africa countries.

b) There is no bundling of products available that may be better suited to meet the customer needs.
It may not be possible to quickly react to changes in the market conditions as the various steps in the product development process may take some time to complete before the product can enter the market.

Lack of good quality or reliable data and the inability to properly access people’s data.

There are insufficient tools in place to analyse the data available and to manage the product during the various stages of the product life cycle.

Lack of industry studies conducted by the regulator. Except for Botswana, Nigeria and Kenya, few African countries conduct insurance industry studies and trends. This makes it difficult for insurance companies to respond to any trends or development in the industry.

Poor and rigid administration systems – systems that need minimal intervention and which rely on the provider (e.g. a bank) to screen the data are best fit for purpose.

Product cost (can’t be too high since insurance premiums approximate 6–10% of people’s income) (Wrench, unpublished).

Customer trust in the industry (if there is a history of not paying claims or in terms of trusting a company based in an outside country).

Access to customers in rural areas.

Companies that operate from outside the country with a “partner” inside the country (“fronting”) are falling out of favour with regulators in the African countries (Wrench, unpublished). This includes instances where business is written in the local territory but the majority of that risk is then taken to an offshore cell captive. To overcome this, companies will need an on-the-ground network of companies which they own.

Paying claims may be a challenge where there is no formal government documentation such as death certificates available.

Fraud

Zultowski (2013) outlines a number of barriers to successful innovation in life insurance. The following factors have been considered to be relevant to innovation in the African insurance sector:

- Failure to recognise innovation management as a bona fide company function;
- Failure to distinguish innovation management from product development;
- Failure to distinguish innovation management from continuous improvement;
- Failure to communicate and define expectations for innovation; and
- Failure to recognise the bias in terms of compensation that sales forces bring to the innovation process.

Factors that lead to Successful Product Development

According to Ferris, Kroll and Brinkley (2008) the following factors are considered to lead to successful product development:
a) Understanding the target market and its needs, e.g. funeral insurance products have been successful in sub-Saharan African countries; however this success has not been seen in East Africa where death and funerals have a different meaning.

b) Engagement with different stakeholders e.g. agents;

c) Having a clearly articulated and broadly understood strategic intent in terms of product development;

d) A well-documented, predictable and repeatable product development process; and

e) Having a regular cycle of introducing products on an ad-hoc basis.

4.6.4 Trends in Insurance in Africa

4.6.4.1 The following has been noted in terms of Takaful insurance:

a) In 2014 it was estimated that 53% of the population in Africa was Islam.\(^{16}\) It is therefore important to meet Islamic customer needs and to have insurance that is in line with Islamic principles. Each participant that needs protection must participate with the sincere intention to donate to other participants faced with difficulties. Therefore, Islamic insurance exists where each participant contributes into a fund that is used to support one another with each contributing sufficient amounts to cover expected claims. The objective of Takaful is to pay a defined loss from a defined fund.\(^ {17}\)

b) Islamic finance and Takaful is a growing global phenomenon, contributing positively and substantially to the world economy. Although still about 5% of the global financial industry, the assets of Islamic financial institutions stood at approximately $1 trillion in 2009. The assets grew fivefold from 2003 (Bhatty, 2010).

c) It can be observed that the growth of the Takaful market in Africa may be hindered by the mindset of the insurers as this is a niche market that can service only a certain sector of the market.

4.6.4.2 The following has been noted in terms of microinsurance:

a) Africa’s microinsurance industry is different from that of South Africa. In South Africa, most people have heard about insurance, even if they have not had insurance themselves before. In Africa a lot of people have never heard about or had insurance (Wrench, unpublished). Where they have had insurance, they often have had poor experiences, for example, where previous socialist governments took over the insurance industry and then did not pay claims after receiving premiums for years (Wrench, unpublished). To offer insurance to people who face more risk but cannot afford to pay high premiums, products need to be kept very simple.

\(^{16}\) Muslim population in the world, Iqra Foundation, www.muslimpopulation.com/africa/

A study conducted by the International Labour Organisation Microinsurance Innovation Facility in 2008 estimated the size of the microinsurance industry in Africa to be as large as 700 million people with an estimated annual premium of 25 billion US$. However, currently only 2.6% of the target population in Africa use microinsurance. This is far below the potential market and there is a general consensus that microinsurance is a growth area which insurance providers should focus on. (Matul et al., 2010).

4.7 Reinsurance

4.7.1 An effective reinsurance system enables insurance companies to share and disperse risks among several other insurers and reinsurers. The risk retention capacity of an insurance market depends on its financial strength. The “excess” of that retention capacity has to be complemented with the support of reinsurers. The insurer looking to expand into Africa will need to consider the scope to reinsure business locally or overseas. This section places reliance on the unpublished report by KPMG Kenya on insurance in Africa (2013).

4.7.2 Reinsurance Practices

4.7.2.1 Kenya has the following practices in place:

a) The Insurance Regulatory Authority licenses all reinsurance firms in Kenya. The provisions for registration of an insurance company also apply to registration of reinsurers. All insurance firms operating in Kenya should maintain reinsurance treaties which must be approved by the Authority. The commissioner of insurance can call upon an insurer to submit all reinsurance treaties and reinsurance contracts entered into by the insurer. Section 145 of the Insurance Act states that a certain proportion of insurance business shall be ceded to the Kenya Reinsurance Corporation Limited.

b) The presence of a number of reinsurers operating in the Kenyan market has resulted in Kenya becoming an important reinsurance centre in the East, Central and South African countries. The reinsurers are registered to transact long term and general insurance.

c) These reinsurers include:

— Kenya Reinsurance Corporation Ltd which is still 100% owned by the Government and receives legal cessions of 18% on each treaty arranged by the local insurers and reinsurers;

— East Africa Reinsurance Company Ltd is 100% owned by the private insurance companies and does not receive compulsory cessions;

— Continental Reinsurance is a pan-African composite reinsurer offering both treaty and facultative capacity and services across the full spectrum of non-life and life business lines. It was incorporated in 1985 starting business as a private reinsurance company in Nigeria (Continental Re, 2014).
d) There are another two regional reinsurance companies that enjoy mandatory treaty cessions. They are ZEP-RE/PTA-RE, a joint venture company by countries in the COMESA region and some insurance companies. It receives compulsory cessions of 10% on all treaties arranged by insurance companies operating in member countries. African Reinsurance Corporation formed by African government members of the African Union also has some insurance and reinsurance companies operating in member countries as its shareholders. Its shareholding was recently extended to institutions outside the continent. The Corporation receives a compulsory cession of 5% on all treaties arranged by insurance companies and reinsurers operating in member countries. Other reinsurance companies that operate liaison offices in Kenya include Swiss Re, Munich Re and Ghana Re.

4.7.2.2 Tanzania has the following practices in place:

a) Tanzania Insurance Act Section 31 states that the carrying on of all arrangements for reinsurance and the insurance business shall be subject to the control of the Commissioner. TIRA registers both insurance firms and reinsurance firms.

b) Section 79 of the Act, outlines the mandatory reinsurance cessions as Africa-Re 5% and PTA (Zep-Re) 10%. The act also provides that a certain percentage should be ceded to the National Reinsurer, Tanzania National Reinsurance Corporation (Tan-Re).

c) Tan-Re is a regional reinsurance company that has clients in Africa, the Middle East and Asia and provides a broad range of reinsurance products and services. These range from non-life insurance business and life assurance business. Since inception, it has benefited from compulsory cessions on all domestic treaties and policies. The share has been changing over the years. Mandatory cessions will however cease in 2015 as per the Tan-Re Establishment Order.

4.7.2.3 Uganda has the following practices in place:

a) Uganda’s economy has over the years been affected by the lack of a local reinsurer. This has always resulted in huge funds being ceded out of the country. The Insurance Act was amended to provide for a National Reinsurance Company with mandatory minimum cessions of 15%. Additionally, the Authority embarked on the exercise of putting in place guidelines to strengthen local inward reinsurance and co-insurance arrangements by the insurers. Under the proposals, an insurer will ensure that local capacity has been exhausted before foreign reinsurance arrangements are undertaken. Foreign reinsurance arrangements will require the Authority’s approval.

b) The IRA sets out guidelines that insurance companies should follow when choosing their reinsurance strategy. All insurance companies must comply with the mandatory minimum reinsurance cessions with three reinsures: Africa Re – 5%; Zep-Re (PTA Re) – 10%; and Uganda Re – 15%.
4.7.2.4 Rwanda has the following practices in place:

a) The requirements for reinsurance are that a licensed insurer shall operate with a reinsurer and shall submit its reinsurance strategy and a copy of its reinsurance agreements to the Central Bank for review. Any single risk which comprises more than five per cent (5%) of the capital of the insurer must be reinsured. The BNR approves all reinsurance strategies from insurers.

4.7.2.5 Burundi has the following practices in place:

a) Burundi law does not make provisions for licensing of reinsurers. Currently, only foreign reinsurers operate in Burundi; this include Zep Re, Africa Re, Kenya Re, East Africa Re, Munich Re, Continental Re, Best Re, Globus Re, Helvetia, Axa, Scor, Nateus and Hannover Re. Currently Burundi does not have a national reinsurer.

4.7.2.6 Ghana has the following practices in place:

a) According to the Insurance Act (2006), section 53, an insurer must have reinsurance arrangements approved by the National Insurance Commission and must use the capacity of the local reinsurance market before recourse to any overseas reinsurance. According to section 54, the National Insurance Commission shall examine the retention policy of insurance companies, securities of reinsurers, and appropriateness of reinsurance contracts.

b) Ghana Reinsurance Company Ltd (Ghana Re) is the leading international reinsurer in Ghana. Ghana Re is principally involved in all classes of general reinsurance business.

4.7.2.7 Nigeria has the following practices in place:

a) The Nigeria Reinsurance Corporation Act was established to set up the Nigeria Reinsurance Corporation to undertake reinsurance business within Nigeria. According to this Act, “a registered insurer shall, in respect of every insurance policy issued or renewed by it on or after 1st January, 1978 reinsure with the Corporation an amount equal to twenty per cent of the sum insured in the policy, upon and subject to the provisions of the Second Schedule to this Act; and the registered insurer shall forthwith pay over to the Corporation an amount equal to twenty per cent of the premium received by the registered insurer on the issue or, as the case may be, renewal of the policy.”

b) Continental Reinsurance Plc was incorporated in 1985 and is publicly listed on the Nigerian Stock Exchange. Continental Re transacts both life and non-life business and has five client service centres, located in Nigeria, Cameroon, Cote d’Ivoire, Kenya and Tunisia.18

c) According to the Insurance Act, companies may not transact business with a

foreign reinsurer except where they are faced with an exceptional nature of risk, in which case the Commission will be required to provide permission for the business to be transacted with a reinsurer outside Nigeria.

d) It has been observed in practice that co-insurance is a relatively popular in this market.

4.7.2.8 Botswana has the following practices in place:

a) In 2011, the Non-Bank Financial Institutions Regulatory Authority (referred to as NBFIRA), which is the regulator of all non-banking financial entities, had issued a circular notifying Botswana registered companies that reinsurance should be placed with Botswana registered reinsurance companies. The NBFIRA had registered two reinsurance companies – FM Reinsurance Property & Casualty (referred to as FM Re) and First Reinsurance Company (referred to as First Re). All local insurers would be obliged to cede to these two registered local reinsurers.

4.7.3 Regulation and Supervision of Reinsurance

4.7.3.1 According to ICP 13: Reinsurance and Other Forms of Risk Transfer, the supervisor sets standards for the use of reinsurance and other forms of risk transfer, ensuring that insurers adequately control and transparently report their risk transfer programmes. The supervisor takes into account the nature of reinsurance business when supervising reinsurers based in its jurisdiction.

4.7.3.2 A review of the insurance acts within the African territories considered indicates that there is sufficient reinsurance legislation on paper, but we cannot be sure that they are observed in practice. As per the review of the insurance regulations in the territories covered, reinsurance and other forms of risk transfer are referenced; however the detailed standards of the ICP are largely not captured.

4.7.3.3 The general observations regarding reinsurance regulation within the countries indicate that there are generally significantly fewer reinsurance regulations compared to insurance regulations. This difference stems from the primary purpose of insurance regulation which is to protect insurance consumers who may not be well versed with the business of insurance. Reinsurance on the other hand which is often referred to as insurance for insurance companies is between two parties who are knowledgeable about the business of insurance.

4.7.4 Impact on Growth Strategies

4.7.4.1 Within the African countries, many insurance companies are struggling to increase their capital base in order to establish sound financial conditions. A reinsurer’s strong capital base can assist the business development of such insurers. High quality reinsurers also provide direct insurers with technical knowledge on insurance and reinsurance. This will present an opportunity for growth in the reinsurance market in these territories (Schwab, 2014).
4.7.4.2 However, because reinsurance is a new activity for insurance companies in the region the insurers can make unsuitable choices when entering into reinsurance contracts or transactions with financially unstable reinsurers. In some cases, insurance companies use reinsurance contracts only as a means of cash transfer abroad.

4.7.4.3 Due to the compulsory cessions in place in most of the territories, it is important to strike a balance between the compulsory cessions of risks to local reinsurers and the domestic market or discriminatory tax regimes against foreign reinsurance placement in the region. It may be that only through liberal access to the wider international reinsurance market can both the ceding and the accepting companies be assured of providing and obtaining the best product and service at a competitive price.

4.7.4.4 Capital shortage, due to limited savings is a major issue amongst these countries. As a result, companies may need to turn to reinsurance (foreign reinsurance) in order to compensate for the limited retention capacity of the domestic markets. The regulatory and supervisory bodies may have no choice but to deal with the foreign reinsurers in order to promote the development of the insurance markets.

5. CONCLUSION
5.1 The four big South African life insurers are looking to the rest of Africa as the main source for growth. While the contribution to profit from these ventures is small at this stage, looking forward, the rest of the continent will become a bigger contributor to local insurers’ earnings (Marais, unpublished).

5.2 A number of countries in Africa are attractive due to high economic growth rates and low insurance penetration rates. By 2020, 128 m African households will earn $5,000 a year or more, up from 85 m in 2008, according to a 2010 study from consulting firm McKinsey (McKinsey, 2010). This will present a further growth opportunity for South African insurers looking to expand into Africa.

5.3 While the growth potential is great, insurers need to overcome many challenges. Building efficient distribution channels, educating consumers about insurance and other financial products, developing affordable offerings and finding ways to collect premiums are some of the main obstacles, faced. Regulatory and cultural differences also pose challenges, and local market knowledge is essential to develop the right products.

5.4 Additional factors that have not necessarily explicitly been considered in this paper should also be taken into account when assessing African expansion plans. These include taxation regulations, the ease of repatriating funds and the political environment amongst others. Further research into these topics will provide additional insight into the implications these areas may potentially have on an insurer’s African Growth Strategy.
5.5 The race is on to build an African insurance giant. It can be observed that there are two key contributing factors to successful growth in Africa: understanding the changing needs of changing demographics and harnessing the use of technology to create value in the African insurance sector.

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APPENDIX A

A.1 This table reflects the current regulations analysed for the purpose of the ICP gap analysis.

**Table A.1 African regulations**

<table>
<thead>
<tr>
<th>Country</th>
<th>Regulation</th>
</tr>
</thead>
</table>
| Kenya | — Insurance Act (Cap 487, No. 1 of 1985, revised 2010)  
       | — Insurance Act revised 2013 |
| Uganda | — Insurance Act, 1996 (Cap 213)  
        | — Insurance (Amendment) Act, No. 13 of 2011  
        | — Insurance Regulations, 2002 |
| Tanzania | — Insurance Act, No. 10 of 2009  
         | — Insurance Regulations, 2009 |
| Rwanda | — Law n°55/2007 of 30th November, 2007 (Governing the Central Bank of Rwanda (BNR))  
        | — Regulation n°55/2009 of 2009 of 29th July, 2009 on licensing and other requirements for carrying out insurance business  
        | — Regulation n°7/2009 of 29th July, 2009 on corporate governance requirements for insurance business  
        | — Regulation n°12/2009 of 13th October, 2009 on market conduct requirements for insurers and insurance intermediaries  
        | — Regulation n°1/2010 of 38th January 2010 relating to market capacity facilitation for foreign insurers  
        | — Law n° 52/2008 governing the organisation of insurance business  
        | — Regulation n°04/2009 on accreditation and other requirements for external auditors of banks, insurers and insurance brokers. |
| Burundi | — Burundi Insurance Act of 7th January, 2014 |
| Ghana | — Insurance Act No. 724 of 2006 |
| Nigeria | — Insurance Act, 2003  
          | — Terrorism Act 2011.  
| Botswana | — International Insurance Act, 2005  
             | — IPR3G Prescribed Capital Target for General Insurers  
             | — IPR3L Prescribed Capital Target for Long-Term Insurers |
### APPENDIX B

**B.1** Based on the insurance regulations outlined in Appendix A, the table below illustrates the Supervisory Authorities in each of the African Territories considered:

**Table B.1 Supervisory Authorities**

<table>
<thead>
<tr>
<th>Country</th>
<th>Regulator</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenya</td>
<td>Insurance Regulatory Authority (IRA)</td>
</tr>
<tr>
<td>Uganda</td>
<td>Insurance Regulatory Authority (IRA)</td>
</tr>
<tr>
<td>Tanzania</td>
<td>Tanzanian Insurance Regulatory Authority (TIRA)</td>
</tr>
<tr>
<td>Rwanda</td>
<td>National Bank of Rwanda</td>
</tr>
<tr>
<td>Burundi</td>
<td>Agency for Regulation and Control of Insurance (ARCA)</td>
</tr>
<tr>
<td>Ghana</td>
<td>National Insurance Commission (NIC)</td>
</tr>
<tr>
<td>Nigeria</td>
<td>National Insurance Commission (NAICOM)</td>
</tr>
<tr>
<td>Botswana</td>
<td>Non-Bank Financial Institutions Regulatory Authority (NBFIRA)</td>
</tr>
</tbody>
</table>
APPENDIX C

C.1 ICP 1 – Objectives, Powers and Responsibilities of the Supervisor
   C.1.1 The authority (or authorities) responsible for insurance supervision and the objectives of insurance supervision are clearly defined.

C.2 ICP 2 – Supervisor
   C.2.1 The supervisor, in the exercise of its functions and powers:
      — Is operationally independent, accountable and transparent;
      — Protects confidential information;
      — Has appropriate legal protection;
      — Has adequate resources; and
      — Meets high professional standards.

C.3 ICP 3 – Information Exchange and Confidentiality Requirements
   C.3.1 The supervisor exchanges information with other relevant supervisors and authorities subject to confidentiality, purpose and use requirements.

C.4 ICP 4 – Licensing
   C.4.1 A legal entity which intends to engage in insurance activities must be licensed before it can operate within a jurisdiction. The requirements and procedures for licensing must be clear, objective and public, and be consistently applied.

C.5 ICP 5 – Suitability of Persons
   C.5.1 The supervisor requires Board Members, Senior Management, Key Persons in Control Functions and Significant Owners of an insurer to be and remain suitable to fulfil their respective roles.

C.6 ICP 6 – Changes in Control and Portfolio Transfers
   C.6.1 Supervisory approval is required for proposals to acquire significant ownership or an interest in an insurer that results in that person (legal or natural), directly or indirectly, alone or with an associate, exercising control over the insurer. The same applies to portfolio transfers or mergers of insurers.

C.7 ICP 7 – Corporate Governance
   C.7.1 The supervisor requires insurers to establish and implement a corporate governance framework which provides for sound and prudent management and oversight of the insurer’s business and adequately recognises and protects the interests of policyholders.
C.8 ICP 8 – Risk Management and Internal Controls
   C.8.1 The supervisor requires an insurer to have, as part of its overall corporate governance framework, effective systems of risk management and internal controls, including effective functions for risk management, compliance, actuarial matters and internal audit.

C.9 ICP 9 – Supervisory Review and Reporting
   C.9.1 The supervisor takes a risk-based approach to supervision that uses both off-site monitoring and on-site inspections to examine the business of each insurer, evaluate its condition, risk profile and conduct, the quality and effectiveness of its corporate governance and its compliance with relevant legislation and supervisory requirements. The supervisor obtains the necessary information to conduct effective supervision of insurers and evaluate the insurance market.

C.10 ICP 10 – Preventive and Corrective Measures
   C.10.1 The supervisor takes preventive and corrective measures that are timely, suitable and necessary to achieve the objectives of insurance supervision.

C.11 ICP 11 – Enforcement
   C.11.1 The supervisor enforces corrective action and, where needed, imposes sanctions based on clear and objective criteria that are publicly disclosed.

C.12 ICP 12 – Winding-up and Exit from the Market
   C.12.1 The legislation defines a range of options for the exit of insurance legal entities from the market. It defines insolvency and establishes the criteria and procedure for dealing with insolvency of insurance legal entities. In the event of winding-up proceedings of insurance legal entities, the legal framework gives priority to the protection of policyholders and aims at minimising disruption to the timely provision of benefits to policyholders.

C.13 ICP 13 – Reinsurance and Other Forms of Risk Transfer
   C.13.1 The supervisor sets standards for the use of reinsurance and other forms of risk transfer, ensuring that insurers adequately control and transparently report their risk transfer programmes. The supervisor takes into account the nature of reinsurance business when supervising reinsurers based in its jurisdiction.

C.14 ICP 14 – Valuation
   C.14.1 The supervisor establishes requirements for the valuation of assets and liabilities for solvency purposes.
C.15 ICP 15 – Investment
   C.15.1 The supervisor establishes requirements for solvency purposes on the investment activities of insurers in order to address the risks faced by insurers.

C.16 ICP 16 – Enterprise Risk Management for Solvency Purposes
   C.16.1 The supervisor establishes enterprise risk management requirements for solvency purposes that require insurers to address all relevant and material risks.

C.17 ICP 17 – Capital Adequacy
   C.17.1 The supervisor establishes capital adequacy requirements for solvency purposes so that insurers can absorb significant unforeseen losses and to provide for degrees of supervisory intervention.

C.18 ICP 18 – Intermediaries
   C.18.1 The supervisor sets and enforces requirements for the conduct of insurance intermediaries, to ensure that they conduct business in a professional and transparent manner.

C.19 ICP 19 – Conduct of Business
   C.19.1 The supervisor sets requirements for the conduct of the business of insurance to ensure customers are treated fairly, both before a contract is entered into and through to the point at which all obligations under a contract have been satisfied.

C.20 ICP 20 – Public Disclosure
   C.20.1 The supervisor requires insurers to disclose relevant, comprehensive and adequate information on a timely basis in order to give policyholders and market participants a clear view of their business activities, performance and financial position. This is expected to enhance market discipline and understanding of the risks to which an insurer is exposed and the manner in which those risks are managed.

C.21 ICP 21 – Countering Fraud in Insurance
   C.21.1 The supervisor requires that insurers and intermediaries take effective measures to deter, prevent, detect, report and remedy fraud in insurance.

C.22 ICP 22 – Anti-Money Laundering and Combating the Financing of Terrorism
   C.22.1 The supervisor requires insurers and intermediaries to take effective measures to combat money laundering and the financing of terrorism. In addition, the supervisor takes effective measures to combat money laundering and the financing of terrorism.
C.23 ICP 23 – Group-wide Supervision
   C.23.1 The supervisor supervises insurers on a legal entity and group-wide basis.

C.24 ICP 24 – Macroprudential Surveillance and Insurance Supervision
   C.24.1 The supervisor identifies, monitors and analyses market and financial developments and other environmental factors that may impact insurers and insurance markets and uses this information in the supervision of individual insurers. Such tasks should, where appropriate, utilise information from, and insights gained by, other national authorities.

C.25 ICP 25 – Supervisory Cooperation and Coordination
   C.25.1 The supervisor cooperates and coordinates with other relevant supervisors and authorities subject to confidentiality requirements.

C.26 ICP 26 – Cross-border Cooperation and Coordination on Crisis Management
   C.26.1 The supervisor cooperates and coordinates with other relevant supervisors and authorities such that a cross-border crisis involving a specific insurer can be managed effectively.