FAIR Review

Issue No. 201 (2024- Q3)

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FAIR Review

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FAIR aims to become a driving force for international insurance cooperation by promoting collaboration and adoption of international standards.

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FAIR will lead the effort to achieve harmonization of insurance markets by promoting the adoption and implementation of international standards among members facilitating the sharing of information and expertise and enhancing cooperation to be of added value to members.

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FAIR Review

The "FAIR Review" is published quarterly by the central office and circulated to over 6000 of FAIR's members & friends from various insurance markets. It is devoted to disseminate the research work, articles and information, to enhance professional knowledge among insurance professionals.

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Global Markets

• Global insurance market in 2023

According to the Sigma study (No. 3/2024), conducted by the Swiss Re Institute, the premium volume of the global insurance market reached 7 186 billion USD in 2023, an increase of 6.1% over one year.

The United States and China remain the world's largest insurance markets, ranking first and second respectively.

A strong premium growth enabled the United Kingdom to move to the third place, overtaking Japan, which now holds the fourth position.

In its report, Swiss Re forecasts that India, currently ranked 10th, will become one of the fastest-growing insurance markets within the next five years.■

Top 20 insurance markets in the world: ranking by turnover 2023 Figures in billions USD

Rank	Country	Premiums 2023	Premiums 2022	Evolution 2022-2023	Market share 2023
1	United States	3 227	2 988	8%	44.90%
2	China	724	698	3.70%	10.10%
3	United Kingdom	375	337	11.30%	5.20%
4	Japan	363	361	0.60%	5%
5	France	283	259	9.30%	3.90%
6	Germany	245	237	3.60%	3.40%
7	South Korea	186	192	-3.20%	2.60%
8	Canada	171	166	2.80%	2.40%
9	Italy	159	155	3.20%	2.20%
10	India	136	130	4.80%	1.90%
11	Netherlands	93	84	11.10%	1.30%
12	Brazil	84	75	13.10%	1.20%
13	Spain	83	68	22.10%	1.20%
14	Taiwan	78	86	-8.90%	1.10%
15	Australia	74	72	2.60%	1%
16	Hong Kong	66	66	-1.20%	0.90%
17	Switzerland	61	57	8.30%	0.90%
18	Mexico	45	34	31.60%	0.60%
19	Denmark	44	41	7.30%	0.60%
20	Sweden	44	46	-3.30%	0.60%
Total top 20		6 541	6 152	6.40%	91.00%
Rest of the market		645	621	3.40%	9%
Grand total		7 186	6 773	6.10%	100%

Source: Atlas Magazine – 23 July 2024

Premium volume by region and organization

	Premium volume (in millions of USD)		Change (in %) inflation-adjusted		Share of world market (in %)	Premiums[1] in % of GDP	Premiums[1] per capita (in USD)
Total business	**2023**	**2022**	**2023**	**2022**	**2023**	**2023**	**2023**
America	**3 591 922**	**3 323 140**	**3.7**	**1.2**	**50.0**	**10.1**	**3 470**
US and Canada	3 397 205	3 153 784	3.7	1.1	47.3	11.6	9 067
Latin America and Caribbean	194 717	169 356	3.9	3.8	2.7	3.1	295
Europe, Middle East and Africa (EMEA)	**1 832 637**	**1 708 824**	**0.7**	**−6.0**	**25.5**	**5.7**	**598**
Advanced EMEA	1 624 932	1 514 346	−0.1	−7.8	22.6	7.1	3 421
Emerging Europe and Central Asia	101 725	88 529	10.3	−2.5	1.4	2.3	207
Middle East and Africa	105 980	105 949	3.3	21.4	1.5	2.3	54
Emerging Middle East	42 416	38 631	8.5	71.7	0.6	1.5	77
Africa	63 563	67 317	0.3	−2.5	0.9	3.5	46
Asia-Pacific	**1 761 615**	**1 740 790**	**3.3**	**1.3**	**24.5**	**5.1**	**436**
Advanced Asia-Pacific	818 955	830 199	−0.8	−0.1	11.4	8.7	3 204
Emerging Asia	942 661	910 591	7.1	2.8	13.1	3.7	249
China	723 664	697 806	8.9	2.6	10.1	3.9	508
Emerging Asia, excl China	218 996	212 784	1.1	3.5	3.0	3.3	93
World (2)	**7 186 174**	**6 772 753**	**2.8**	**−0.8**	**100.0**	**7.0**	**889**
Advanced markets (3)	5 841 092	5 498 329	2.0	−1.9	81.3	9.5	5 339
Emerging markets (4)	1 345 082	1 274 424	6.6	4.1	18.7	3.3	195
Emerging Markets excl China	621 418	576 618	3.8	6.0	8.6	2.8	114
OECD (5)	5 756 219	5 381 312	2.4	−1.3	80.1	8.9	4 266
G7 (6)	4 822 564	4 501 495	2.8	−1.0	67.1	10.2	6 111
Eurozone	1 055 874	986 739	−0.9	−8.2	14.7	6.4	2 872
EU	1 197 988	1 120 518	−1.1	−8.3	16.7	6.2	2 516
NAFTA (7)	3 442 267	3 188 014	3.7	1.0	47.9	11.1	6 842
Life business	**2023**	**2022**	**2023**	**2022**	**2023**	**2023**	**2023**
America	**873 557**	**820 735**	**1.9**	**1.4**	**30.2**	**2.5**	**844**
US and Canada	785 178	745 760	1.5	1.2	27.2	2.7	2 096
Latin America and Caribbean	88 380	74 975	6.5	2.7	3.1	1.4	134
Europe, Middle East and Africa (EMEA)	**953 298**	**907 919**	**−1.3**	**−12.2**	**33.0**	**3.1**	**323**
Advanced EMEA	880 815	835 635	−1.8	−12.5	30.5	4.0	1 936
Emerging Europe and Central Asia	24 694	21 364	14.7	−14.3	0.9	0.6	50
Middle East and Africa	47 789	50 920	−1.0	−5.0	1.7	1.0	25
Emerging Middle East	4 814	5 360	−9.4	−9.7	0.2	0.2	9
Africa	42 975	45 560	0.0	−4.5	1.5	2.4	31
Asia-Pacific	**1 062 143**	**1 051 756**	**3.1**	**0.7**	**36.8**	**3.1**	**265**
Advanced Asia-Pacific	519 592	536 129	−2.1	−0.4	18.0	5.6	2 053
Emerging Asia	542 551	515 626	8.6	2.0	18.8	2.2	144
China	390 400	364 359	12.5	2.0	13.5	2.1	274
Emerging Asia, excl China	152 151	151 268	−0.9	2.0	5.3	2.3	66
World (2)	**2 888 998**	**2 780 409**	**1.3**	**−3.8**	**100.0**	**2.9**	**361**
Advanced markets (3)	2 185 584	2 117 524	−0.7	−5.2	75.7	3.6	2 020
Emerging markets (4)	703 414	662 885	7.8	0.9	24.3	1.7	103
Emerging Markets excl China	313 014	298 526	2.1	−0.4	10.8	1.4	58
OECD (5)	2 079 162	1 991 904	0.1	−4.0	72.0	3.3	1 553
G7 (6)	1 673 289	1 593 390	1.0	−3.6	57.9	3.6	2 145
Eurozone	527 434	505 421	−3.4	−12.7	18.3	3.3	1 456
EU	606 196	582 486	−3.5	−12.8	21.0	3.2	1 291
NAFTA (7)	804 957	760 831	1.6	1.1	27.9	2.6	1 600
Non−life business	**2023**	**2022**	**2023**	**2022**	**2023**	**2023**	**2023**
America	**2 718 364**	**2 502 405**	**4.2**	**1.1**	**63.3**	**7.6**	**2 626**
US and Canada	2 612 027	2 408 024	4.3	1.0	60.8	8.9	6 971
Latin America and Caribbean	106 337	94 381	1.9	4.4	2.5	1.7	161
Europe, Middle East and Africa (EMEA)	**879 339**	**800 905**	**3.0**	**−1.2**	**20.5**	**2.6**	**275**
Advanced EMEA	744 117	678 711	2.1	−1.3	17.3	3.1	1 484
Emerging Europe and Central Asia	77 031	67 165	9.8	−4.6	1.8	1.7	156
Middle East and Africa	58 191	55 029	5.7	5.3	1.4	1.3	30
Emerging Middle East	37 602	33 271	11.5	11.4	0.9	1.4	68
Africa	20 588	21 758	−3.2	−2.5	0.5	1.1	15
Asia-Pacific	**699 472**	**689 034**	**3.6**	**2.2**	**16.3**	**2.0**	**171**
Advanced Asia-Pacific	299 363	294 070	1.5	0.3	7.0	3.1	1 151
Emerging Asia	400 109	394 964	5.2	3.8	9.3	1.6	105
China	333 264	333 448	4.9	3.2	7.8	1.8	234
Emerging Asia, excl China	66 845	61 516	6.8	7.1	1.6	1.0	27
World (2)	**4 297 176**	**3 992 344**	**3.9**	**0.8**	**100.0**	**4.2**	**528**
Advanced markets (3)	3 655 508	3 380 805	3.6	0.4	85.1	5.9	3 320
Emerging markets (4)	641 668	611 539	5.3	3.0	14.9	1.6	93
Emerging Markets excl China	308 404	278 092	5.6	2.8	7.2	1.4	56
OECD (5)	3 677 057	3 389 408	3.8	0.5	85.6	5.7	2 713
G7 (6)	3 149 275	2 908 105	3.8	0.6	73.3	6.6	3 966
Eurozone	528 439	481 318	1.8	−2.8	12.3	3.2	1 416
EU	591 792	538 032	1.6	−2.8	13.8	3.0	1 225
NAFTA (7)	2 637 310	2 427 183	4.4	1.0	61.4	8.5	5 242

Source: SwissRe Sigma No3/2024, June 2024

• *AM Best's Top 20 Global Brokers 2024: Marsh McLennan and Aon top the ranking for the 14th consecutive year*

Daniela GHETU

Marsh McLennan claims the top spot in BEST'S REVIEW Top 20 Global Brokers 2024, for the 14th consecutive year, increasing its revenues by USD 2 billion in 2023 against the previous year, to USD 22.7 billion.

Aon plc also maintained its position for the last 14 years, ranking second, with revenues of USD 13.4 billion in 2023. WTW, which ranked third last year, in 2024 went down one rank, while the third position was taken over by Arthur J. Gallagher (fourth rank in 2023).

Three brokers entered the Top 20 ranking: Steadfast Group Ltd., AUB Group Ltd and BMS Group Lts, holding the positions 17, 18 and 20 respectively.

Best's Rankings

Top 20 Global Brokers - 2024 Edition

Ranked by 2023 total revenue.

(US$)

Rankings 2023	Rankings 2022	Broker	2023 Total Revenue
1	1	Marsh McLennan	$22.70 billion
2	2	Aon plc	$13.40 billion
3	4	Arthur J. Gallagher & Co.	$9.91 billion
4	3	WTW	$9.48 billion
5	5	Hub International*	$4.30 billion
6	6	Acrisure LLC*	$4.30 billion
7	7	Brown & Brown Inc.	$4.26 billion
8	9	Alliant Insurance Services Inc.	$3.88 billion
9	10	Lockton Inc.	$3.55 billion
10	8	TIH	$3.46 billion
11	12	Howden	$3.00 billion
12	11	USI Insurance Services LLC	$2.70 billion
13	14	Amwins Group Inc.	$2.60 billion
14	14	AssuredPartners Inc.	$2.49 billion
15	13	NFP Corp.	$2.48 billion
16	16	The Ardonagh Group	$1.94 billion
17	--	Steadfast Group Ltd.	$904.3 million
18	--	AUB Group Ltd.	$853.6 million
19	19	Fanhua Inc.	$450.5 million
20	--	BMS Group Ltd.	$385.0 million

*Note: Total revenues for No. 5 Hub International are higher than those for No. 6 Acrisure LLC but appear as identical due to rounding.
Sources: Company information.

Source: BEST'S REVIEW July 2024

According to AM Best's review, 2023 saw a significant change also in the M&A dynamic in the (re)insurance brokerage market. The number of M&A operations fell by 24% in 2023 against 2022, reaching a total of 782. According to the Optis Partners' North American Agent & Broker 2023 Year-End Merger & Acquisition Report, quoted by BEST'S REVIEW, Acrisure and PCF accounted for the largest share in the M&A numbers' drop, after being highly active the precedent year.

The 782 mergers and acquisitions involving brokers in 2023 were down 24% from 2022,. The industry "may be settling in to a new normal, or perhaps it's returning to an old one" following the completion of a 25-month rush of deals that concluded at the end of 2022, the report said. Private-equity backed/hybrid buyers completed 69% of transactions in 2023, down from 76% in 2022 as deal volume dropped. Acrisure and PCF accounted for 60% of the decline in deals from 2022, Optis said. However, Acrisure was tied with Gallagher and World Insurance Associates for the fourth-highest number of deals at 36. Hub International led the way among all buyers with 65 deals, the report said. ■

The full Am Best analysis of the ranking is available here, including short reviews of the main achievements of the Top 20 global brokers in 2023.

Source: XPRIMM - 11 July 2024

• *Cyber Resilience Lessons from the CrowdStrike Outage*

by Allen Blount

Imagine arriving at London's Heathrow Airport only to find your flight merged with two others and chaos reigning supreme with baggage scattered everywhere. This was the real-life impact of the recent Microsoft outage, experienced firsthand by many travelers, including myself. The global implications of this outage extend beyond delayed flights and lost baggage, underscoring the vulnerabilities in our digital ecosystem and the need for thorough preparedness.

Understanding the Outage Event

The Microsoft-CrowdStrike outage occurred on July 19, 2024, and had immediate and widespread impacts, affecting businesses globally. The outage was reportedly sparked by a botched CrowdStrike software update and took thousands of Microsoft systems around the world offline.

Operations were halted, data access was disrupted, and communication breakdowns occurred. Hospitals faced delays in patient care due to inaccessible medical records. Grocery stores experienced supply chain disruptions that affected inventory management. Airlines dealt with flight cancellations and rescheduling problems. Financial institutions experienced transaction delays and security concerns. Retail businesses struggled with point-of-sale system failures and customer service interruptions. According to Microsoft's blog, the outage impacted approximately 8.5 million Windows devices, demonstrating the extensive reach and severity of the event.

The incident was a wake-up call for businesses about the importance of robust cybersecurity measures and reinforced the need for testing and contingency planning in patch management processes. It also shed light on the vulnerability of interconnected systems and the role that major service providers play in the global economy, where a single failure can cascade into substantial economic losses and operational setbacks. According to GovInfoSecurity, losses from this event could cost cyber insurers $1.5 billion, with overall monetary losses to businesses anticipated as high as $5.4 billion, as reported by DarkReading.

Differentiating Cyber Risks: CBI vs. CSF

Understanding the terminologies is crucial in grasping the full scope of such incidents and possible insurance coverage. Two key terms are Contingent Business Interruption (CBI) and Contingent System Failure (CSF).

- **Contingent business interruption (CBI):** In the cyber world, this occurs when a business relies on a third-party vendor that suffers a cyber event, causing a disruption in the reliant business's operations. An example is a car dealership that cannot process sales because its revenue management system, provided by a third-party vendor, is compromised.

- **Contingent system failure (CSF):** This refers to a non-malicious system failure caused by an update or patch from a third-party vendor. The Microsoft-CrowdStrike incident falls under this category, where a patch intended to fix an issue led to a system failure, affecting numerous businesses.

CBI and CSF impact businesses differently, so from an insurance standpoint, they are not always covered the same way. Insurance policies for CBI focus on losses from supplier disruptions, while CSF coverage addresses failures in critical systems. Payouts can differ based on the cause of the interruption and the specific terms of each policy.

Businesses should have separate plans for each scenario. A CBI plan might focus on alternative suppliers and maintaining supply chain resilience. A CSF plan could emphasize cybersecurity measures and backup systems to keep operations running smoothly.

By understanding these differences, business leaders can ensure comprehensive risk management and better prepare for potential disruptions.

Lessons from the Microsoft-CrowdStrike Outage

The Microsoft-CrowdStrike outage revealed key lessons in vendor management and business continuity. It called attention to the need for rigorous vendor management and quality assurance to ensure the robustness and security of vendors' systems. Further, the incident underscored the significance of business continuity and incident response plans to quickly address and mitigate disruptions.

Vendor management and quality assurance

Quality assurance, in this context, refers to the systematic process of evaluating and ensuring that vendors' products and services meet specific standards of quality, particularly in their update and patch management protocols. Vendors, including major technology providers like Microsoft, must be rigorously assessed to confirm their systems are secure, reliable, and functioning as intended. Essential questions to ask vendors include:

- How do you handle updates and patches?
- What is your protocol for quality assurance?
- How frequently do you review and test your systems?

Maintain an ongoing dialogue with vendors about their security measures and incident response capabilities. Establishing clear expectations and performance benchmarks can help ensure that vendors adhere to the highest standards of cybersecurity.

Business continuity and incident response plans

Robust business continuity and incident response plans, with alignment and buy-in from all areas of the organization, will help ensure you have the decisions and processes set in place should an incident occur. Having these plans in place ahead of time will allow you to act quicker and minimize impact. Key elements include:

- **In-depth risk assessment:** Identify and evaluate potential risks to the organization. Tailor the plan accordingly.
- Clear roles and responsibilities: Define specific roles and responsibilities to ensure everyone knows their duties during a crisis.
- **Effective communication strategy:** Establish a communication plan to keep all stakeholders informed during an incident.
- **Regular testing and updates:** Conduct regular drills and simulations to test the plan and make necessary updates based on the results.
- **Recovery procedures:** Develop detailed procedures for business recovery and continuity after an incident.

Such plans allow businesses to respond to disruptions quickly and efficiently, minimizing downtime and associated costs.

Proactive Cyber Risk Management Strategies

In the wake of significant cyber incidents like the recent Microsoft outage, businesses are increasingly recognizing the importance of proactive risk management strategies. Such incidents underscore the need for holistic approaches to identify vulnerabilities and prepare for potential disruptions.

Implementing effective risk management practices can help businesses minimize the impact of outages and ensure continuity of operations. Additionally, having appropriate insurance coverage, such as cyber liability insurance, can provide crucial support for businesses affected by cyber incidents.

Conducting tabletop exercises

Tabletop exercises are an effective way to prepare for cyber incidents. These simulated scenarios help teams practice their response to various threats, identify weaknesses, and improve coordination. By conducting regular tabletop exercises, businesses can mitigate the impact of outages and cyber incidents. These exercises also foster a culture of preparedness, ensuring that employees are confident and capable of handling real-world crises. For instance, during the Microsoft outage, organizations with well-rehearsed response plans were better positioned to manage the disruption and maintain operational stability. Insurance coverage that includes incident response costs can be particularly beneficial in such scenarios.

Balancing security measures with human error

The Microsoft outage emphasized the importance of addressing human factors in cybersecurity. To minimize human error, organizations should consider providing regular training and updates on best practices, implementing robust oversight and review processes, and ensuring clear communication and thorough documentation of procedures.

Vendor management and continuous oversight are also critical in minimizing risks associated with human error. By establishing strict protocols and fostering a culture of accountability, businesses can significantly reduce the likelihood of mistakes that could lead to system failures. Coverage options such as business interruption insurance and cyber liability insurance that includes human error can help businesses recover swiftly from incidents like the Microsoft outage, ensuring resilience and sustained security posture.

Navigating cyber insurance

Understanding your cyber policy is important to identify the protection it offers against different types of cyber risks and interruptions, such as issues from third-party vendors or direct system failures. By knowing the coverage details, exclusions, and limits of your policy, you can better prepare for potential disruptions and mitigate financial losses.

Understanding your cyber policy

A thorough understanding of your cyber policy can significantly impact your organization's resilience. In the Microsoft-CrowdStrike example, a cyber insurance policy covering only CBIs but not CSFs would likely be outside of the coverage parameters for an impacted business. Each organization can look at its unique systems and processes to determine the best cyber policy for its needs. Key aspects to consider include:

- Business interruption: Coverage for lost income due to a cyber event.
- Contingent business interruption: Coverage for losses when a third-party provider experiences an outage.
- System failure: Coverage for direct system failures within your organization.
- Contingent system failure: Coverage for failures in external systems your business relies on.

Businesses should work closely with their brokers to tailor policies that address their specific risks. This might involve conducting a thorough risk assessment to identify potential vulnerabilities and ensuring that the policy provides adequate coverage for all identified risks.

Sublimiting in cyber policies

Sublimiting refers to the practice of setting lower limits for specific types of losses within a policy. This can have significant implications for businesses. Knowing your policy limits and exclusions ensures adequate coverage in the event of an incident.

For example, if your policy has a sublimit on contingent business interruption, the payout may be insufficient to cover all your losses from a third-party outage. Engaging with your broker to understand these limits and negotiating higher sublimits where necessary can provide better protection against extensive losses.

Future Outlook and Implications

The Microsoft and CrowdStrike outage showed us that cybersecurity isn't solely the responsibility of third-party providers. Moving forward, this incident should prompt a reassessment of cybersecurity strategies, increased investment in robust defenses, and a review of insurance policies. The potential for far-reaching consequences, from global economic impacts to the devastation of smaller businesses, emphasizes the necessity of these forward-looking measures. As cyber threats continue to evolve, stay ahead by anticipating and preparing for future challenges.

Source: Carrier Management, 12 August 2024

Carrier Management
Critical Information for P/C Carrier Executives

Related articles:

- Moody's Eyes Downstream Impact of CrowdStrike Disruption on Cyber Insurance
- Insured Losses From Crowdstrike Outage Could Reach $1.5B, Cybercube Says
- CrowdStrike Outage Insured Losses Could Reach $1.5B ;
- Verisk's PCS Classifies CrowdStrike Incident as a Cyber Catastrophe ;
- Guy Carpenter: 'Kitty Cat' CrowdStrike Outage to Cause $300M-$1B in Insured Losses;
- Fortune 500's Insured Losses for CrowdStrike Could Reach $1 Billion: Parametrix

• *The state of cybersecurity: AI and geopolitics mean a bigger threat than ever*

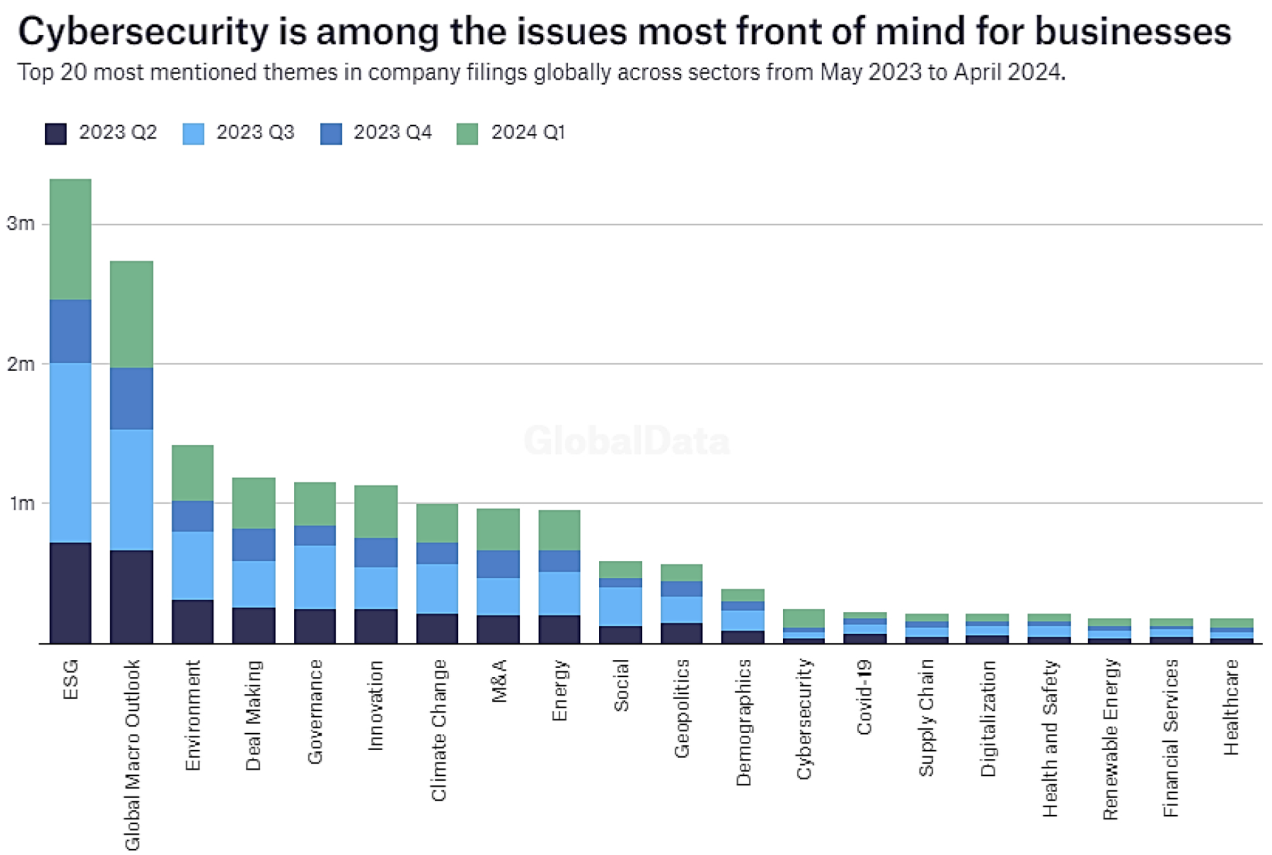
Cybersecurity threats to businesses are not only more numerous than ever but are now becoming more sophisticated through the use of artificial intelligence (AI) by perpetrators and more dangerous in their use for geopolitical aims.

In its annual review of cyberattacks released in January, threat intelligence researcher Check Point found that organisations around the world experienced an average of 1,158 weekly cyberattacks each during 2023 – a rise of 1% from 2022.

It was revealed in April, meanwhile, that half of businesses (50%) in the UK, 70% of medium-sized businesses (70%) and nearly three-quarters of large businesses (74%) had experienced some form of cyberattack in the last 12 months.

GlobalData analytics indicate that companies are aware of the importance of cybersecurity, with it placing 13th out of over 130 in a list of the most mentioned themes in company filings globally and across industries from May 2023 to April 2024.

Despite that, GlobalData's recent Thematic Intelligence: ESG Sentiment Polls Q1 2024 found that only 8.8% of businesses believe that cybersecurity is the theme that will affect them the most over the next 12 months. High inflation (36.2%), geopolitical conflict (35.9%) and digitalisation (10.5%) are all viewed as more pressing issues.



In contrast, a recent survey by ClubCISO, the members' forum for information security leaders, found that 62% of chief information security officers (CISOs) agree that the industry as a whole is not equipped to deal with AI cyber-attacks, with 63% saying they rate the severity of the threat posed to their businesses by AI cyber-attacks as critical or high. Indeed, 40% of respondents said the emergence of AI hasn't altered their priorities, and, for more than three-quarters (77%), AI hasn't triggered a change in cybersecurity spend.

Of this, Rob Robinson, EMEA head of Telstra Purple, which runs ClubCISO, tells Verdict: "The vast majority of organisations that we found in these findings have done nothing to increase their funding to increase their spend in terms of cybersecurity to address what is obviously going to expedite the type of sophistication, the volume and the complexity and the autonomy of threat that organisations are facing … The vast majority see it as a threat, but the vast majority aren't spending money on it."

Sophistication of cyberthreats

Notably, the methods by which cybercriminals are perpetrating attacks are much the same as ever, with AI mainly being used to facilitate and improve existing approaches.

"I would say that the threats themselves are not necessarily changing," says Barry O'Connell, senior vice president and general manager for EMEA at managed detection and response firm Trustwave. "The techniques and tools and approaches that people use are broadly the same, but they've got way more sophisticated."

Richard Hummel, threat intelligence lead for network visibility platform NetScout, agrees, commenting: "They're not attacking them with novel methods. They're not using necessarily new attack vectors. They're not using zero days. They're basically just using the same thing they've been using for a decade or two and just using it in new ways, or they're going after different assets, or they're putting a little bit more forethought into what they're attacking."

Robinson too has found that, despite the advancements in AI, it hasn't changed the approaches of cybercriminals. "It's just exactly that it's compounded, expedited and accelerated the volume of threats in those given technology areas," he says.

He adds: "It comes down to volume and adaptability. AI can do that in a way that that a human just can't. Instead of applying some kind of scripting-based approach or some kind of level of human sophistication and intelligence, that sophistication and intelligence is being applied by artificial intelligence to an increasingly effective level, and therefore the take up or the exposure is becoming far more rapid and far more sophisticated."

Coupled with greater the sophistication with which AI can deliver the types of attacks with which businesses have become familiar is a recognition that attackers themselves are becoming more organised. Hummel suggests that the cyber-criminal "underground" shifted from an individual doing individual things to a more organised ecosystem.

"I'm going to code the malware, you're going to do the spam messaging, you're going to write the spam messages, you're going to host my infrastructure," he says by way of characterizing this shift. "And that's been an evolution in progress for five or six years. So, they've already begun that transition, and it's only continued to this day. You have an entire criminal ecosystem now, where you can basically outsource a lot of the aspects of a campaign."

This greater level of organisation means that criminals are also being more selective in how they target businesses.

O'Connell explains: "What [organisations] are finding now is that the attack surface is much, much larger than they thought it was originally. It's not just your PCs, it's now your operational controls and your factories or your oil refinery or whatever it might be – that is now is now part of that attack surface."

Elaborating on this, he adds: "The challenge is that a lot of these organisations – particularly when you look at healthcare, manufacturing and so on – have very, very long supply chains. What we're seeing is that there are a couple of attack vectors that are very, very common. There's email that everybody talks about, but the other is the supply chain and the ability for a bad actor to enter into the weakest part of that supply chain."

Cyber risks for organisations

The recently published 2024 edition of GlobalData's Cybersecurity report notes phishing, malware, water holing and zero-day exploits as being the main untargeted threats organisations face today, with spear-phishing, Distributed denial of service (DDoS) and supply chain attacks as the main targeted forms.

Supply chains – both physical and digital – have become a target for attackers both looking to infiltrate company systems through third-party access or integrations or simply looking to cause disruption.

Of the issue, the report explains: "Cyberattacks targeting software supply chains are increasingly common and are typically devastating. These attacks are effective because they can take down an organisation's entire software supply chain and services, resulting in massive business disruption. According to IBM's 2023 Cost of a Data Breach report, supply chain compromises took an average of 233 days to identify and 74 days to contain, for a total lifecycle of 307 days. That average lifecycle was 37 days or 13% longer than the average lifecycle of 270 days for data breaches attributed to another cause. In the 2023 study, 15% of organisations identified a supply chain compromise as the source of a data breach."

The report also notes that governments worldwide are beginning to take supply chain security seriously and cooperate more closely to prevent such attacks due to their potentially severe results. Indeed, the potential for creating chaos and tension is one such reason why cyber attacks like those targeted at supply chains are not just focussed on businesses but on geopolitical aims too.

Geopolitical cyberattacks

"I would say that attacks associated with geopolitical events are greater than ever before," says Hummel. "Honestly, if I had to pinpoint the turning point, it was when Russia invaded Ukraine ..."

"It's happened sporadically throughout history, but now it seems like nearly every political move, or every major thing, or anybody getting up talking about how they're going to send humanitarian aid to Ukraine or Saudi Arabia, and Germany coordinating together for arms movements and things like that – all of these like major kinds of cross international conversations, things that impact NATO things that impact the United Nations – all of this stuff seems to be like a prime opportunity for these hacktivists to sow chaos or to speak out their agenda."

One such recent example – actually prior to Russia's invasion of Ukraine – was when Sweden applied to join NATO. The country saw an onslaught of DDoS attacks, with a NetScout report stating: "This signalled a spike in unseen tensions and retaliation from several politically motivated hacker groups. In fact, Russian hackers disrupted government operations in Sweden via ransomware attacks."

Relatedly, Hummel points to quasi-governmental websites as being an area in need of greater protection.

"If I had to choose any one area that I think should have a little bit more attention paid to it, I would say a lot of websites that deal with political issues that are not necessarily the straight government, they're not government administrative portals or things like that, but they're sites that handle a government information, or that handle services or messages that are relevant to the public audience," he says.

"Take, for instance, all of these geopolitical conflicts that are ongoing right now and you think of the Anonymous Sudans and the NoNames and all these other threat actors. There are like 1,200 threat actors I think that we've seen in the last six months, just everywhere, and every time you put one down, there's 1,000 orders that come back. These guys, they want to sow discord, they want to sow chaos, they want to upset the masses, they want to create paranoia and fear, and so often they will go after websites that are not necessarily critical, but it gets people thinking, 'Wow, they just took that down. What else can they do?'"

Sectors at risk

Elsewhere, the types of organisations most at risk of cyberattacks are understandably those with the most to lose, such as those in financial services and healthcare. Hummel, though, believes financial services is second only to government for its digital security – and that the necessity for that due to handling money is not the only major factor.

"One of the reasons I firmly believe that they are like that is not just because of the money because these guys share knowledge," he says, referencing finance, banking, commercial banking and insurance specifically. "FS-ISAC, right? It's a great resource, and most of the major players in the banking industry are part of FS-ISAC. They freely share all of this information. 'Hey, we saw this threat. It's coming in this way. Here's the network. Here are the details. Here ARE the characteristics. Here's the analysis'.

"And it's a group-think, and it's shared knowledge so that everybody knows what's out there and what's impacting them. And that in turn, translates to better security postures for a lot of these organisations."

The Financial Services Information Sharing and Analysis Center (FS-ISAC) is an international not-for-profit membership organisation with the stated aim of "reducing cyber risk for the sector through intelligence sharing."

Noting that there are ISACs for various other industries, Hummel says of their value more broadly: "You can see that the maturity level of a lot of these security professionals that are part of these things is much higher than those that are not because [the latter are] not benefiting from that group-share. I think that plays a big role. This re-education process, making sure that everybody's aware of what's happening out there, there definitely are tiers of who's prepared."

Healthcare has, at times, been a sector less prepared than it should have been. In the UK, for example, outdated software has left the National Health Service at risk on occasion. More broadly, though, the sensitivity and thus value of the data within healthcare globally makes it a major target.

"The value that is happening in healthcare is really around patient data and being able to get that," says O'Connell. "What we're seeing now – and it's probably more in the US at the moment given the healthcare system there – is significant ransoms several times higher than the average being paid by healthcare organisations, not to mention the impact of the revenue loss.

"We'll see hundreds of millions of dollars of revenue loss in these organisations because they can't operate, and then they will ultimately pay the ransom. So, I think that what's happening is, and again, this is not unusual for a lot of criminal activity, is that the organisations that probably are least prepared, or historically have been least prepared, are where we're seeing an increase in the number of a number of number of attacks. Healthcare tends to be fairly soft."

O'Connell also notes that Trustwave is seeing legal and services firms as being increasingly at risk of attacks.

"Legal firms have a lot of data, they often have a data repository – some tool that's used specifically for that industry – but a lot of that floats around through email, goes out to external counsel, comes back in again," he says. "What we're seeing is the value of that IP and your reputation as a law firm is that data. If I find out that someone is in a court case and I can get a hold of the information, then, as a legal firm, I can start asking for terms if you want this information back, if you don't want to put this public."

While some sectors and businesses may be more at risk than others, the reality is that all are at risk increasingly.
Of this, Robinson says: "I think as much as we could pinpoint some risks and exposures in given market verticals, it's more about understanding that combined threat profile and that combined risk."

Prevention and protection

Few organisations today do not have measures in place to protect themselves from cyber threats. The difficulty is knowing what is needed, how much must be spent and how to stay up to date with an evolving threat landscape.

"One of the challenges we have is that the definition or identification of a return on cybersecurity investment is somewhat nebulous," says O'Connell. "You're basically trying to prove a negative. It's an insurance type of approach. So, it is challenging when businesses have those dilemmas of where to invest, particularly from a digital perspective. 'Should I invest in enhancing my platform, identifying more and more use of social media, my marketing campaigns, or whatever it might be?'

"And then someone says, 'Well, you got a bill here for 20 million to do a cybersecurity programme.' And the question is, 'Well, what's my return on that?' It's a challenging conversation to say, 'Well, will you guarantee that I don't get hacked, or will you guarantee that I'll be secure?' And the answer is, if you've got any sense, the answer is, 'No, I can't guarantee that at all!'

"'So, what, do you want me to spend 20 million on this thing that you can't guarantee is actually going to improve anything?' 'Well, yeah, I do.'"

Despite the difficulties in working out how to apportion cybersecurity investment, it remains a critical expenditure. And, over time, the sector itself has developed.

"Now, the conversation in security is not necessarily prevention as the cornerstone but visibility," says Hummel. "What we want to try to do is detect a threat as soon as possible. If you can detect that before they compromise you, awesome, right? Do it. If you can't, you need to detect them the moment they enter or very soon thereafter. You also need to have forensic evidence. If they do compromise you what did they do afterwards? How do they pivot laterally, laterally? Did they exfiltrate anything?"

Hummel adds: "From the defendant's point of view, we need to ensure that every single piece of exposed infrastructure you have on your network is under production. It's not sufficient to say that, 'Well, just my critical asset over here is secure and I'm fine.' Not necessarily because, even if your critical assets stay up, if all the other dominoes around you fall, you're still going to have egg on your face, right?

"Adversaries will absolutely capitalise on that. And they'll boast about it. And they'll make claims. And then, all of a sudden, you have a very persistent journalist that comes and says, 'Man, this got taken down and here's the proof of it.' And now you've got this article on CNN, and this company says, 'Well, hey, our critical stuff never went down.' Doesn't matter. Some parts of you went down. And so now you have reputation damage, right?

"So, we just need to think about things from that point of view is just make sure everything you own, everything that has a network footprint is protected. And understand that the adversaries are using the same old stuff over and over again, but they are changing what they're targeting. They're changing necessarily, how they're going after those assets." ■

Insurance DECODED (GlobalData) - 12 Jun 2024

• *Cyber insurance sector set to surge as demand and supply increases*

The global cyber insurance market is now in excess of $16 billion as businesses seek ever greater levels of cover, and a rising number of companies are entering the class.

The figures were released by Insuramore as it updated its global ranking of insurer groups as measured by cyber insurance gross direct premiums written (GDPW) in 2023.

The analysis estimates that gross written premium for cyber insurance at just over $15.7 billion in 2023 rising to more than $16 billion if captive insurers are also included, and with the US continuing to account for over a half of the total once underwriters operating in Bermuda and at Lloyd's of London are added to those based in the US itself.

With regards to the competitive structure of the market, the rankings show that the top 20 groups for this class are likely to have accounted for 64.9% of premiums worldwide and the top 50 for 89.6%, down from a respective 70.3% and 92.3% in 2022.

Beazley is likely to have been the global market leader with over $1 billion in gross premium and was followed in descending order by Chubb, Munich Re, AXA and Fairfax Financial Holdings.

"Overall, the research established that close to 300 insurer groups were underwriting cyber risks on a direct basis by the end of 2023," Insuramore added. "This signifies a mean (average) GDPW per group of £53 million but a median of just $3.3 million which shows the degree to which there is a very long tail of insurers with small books of cyber insurance activity.

Insuramore added it has also identified over 400 individual MGAs, MGUs and cover-holder enterprises around the world writing cyber insurance on a delegated underwriting authority basis including several, such as At-Bay, CFC Group and Coalition, making partial use of their own underwriting vehicles.

The research continued: "Looking ahead, the trend towards fragmentation implied by the preceding comparison of the global market share of the top 20 and top 50 groups in 2022 and 2023 is likely to continue in 2024 as cyber business expands more rapidly outside of the US, where premium rates have tended to decline in recent months.

"On the other hand, modelling a reliable future trajectory for the value of cyber insurance worldwide remains problematic due to the multiple factors impacting the sector. These include, for example, the global outage incident which occurred on 19th July 2024, the implications of which will become clearer in the coming months." ■

emerging risks

Emerging Risks - 25 July 2024

• *Guy Carpenter: a transitioning reinsurance market responds to cedents' increased demand through mid-year 2024*

Andrei VICTOR

Mid-year renewals reflected a transitioning reinsurance market meeting demand in a dynamic trading environment, reinsurance broker Guy Carpenter said. Loss-free property programs generally saw easing of pricing, even as demand increased. While casualty programs were also completed with adequate capacity, pricing and underwriting scrutiny persisted due to a variety of market trends.

"Well-positioned cedents achieved greater concurrency and pricing consideration in this positive but still cautious trading environment," said Dean Klisura, President & CEO of Guy Carpenter.

"However, headwinds, including unsettled macroeconomic conditions and the geopolitical environment, are leading to shifting risk appetites. Guy Carpenter provides perspective to our clients to help differentiate them and find the best solutions possible."

According to Guy Carpenter's analysis, the majority of **property placements** were completed early to on time, while risk programs remained under scrutiny amid continued concerns about the frequency and severity of large risk losses. Global property catastrophe reinsurance risk-adjusted rates at mid-year were generally flat to down mid- to high-single digits. In some cases, upper layers were risk-adjusted down 10% or more for non-loss impacted accounts, in a moderating but still robust pricing environment.

Casualty renewal outcomes varied by sublines as well as reinsurance type. General liability and excess/umbrella placements that are US exposed experienced continued reinsurance pricing pressure for excess of loss programs, while quota share outcomes were tied to the amount of adverse development.

For **financial lines**, downward pressure on ceding commissions continued and was driven by public directors and officers (D&O) portfolio concentration, underlying rate environment and continued prior year development. The cyber reinsurance market remained active at mid-year renewals, with buyers finding improved terms across all structures. Mid-year cyber renewals saw ongoing interest in alternative structures including event-based covers, continuing a trend observed at January 1.

Catastrophe bonds had a record first half of the year, with Q2 being the most active quarter recorded. By June 24, 47 different catastrophe bonds were brought to the 144A market for approximately USD 11.9 billion in limit placed, taking the total outstanding notional amount to more than USD 44.6 billion.

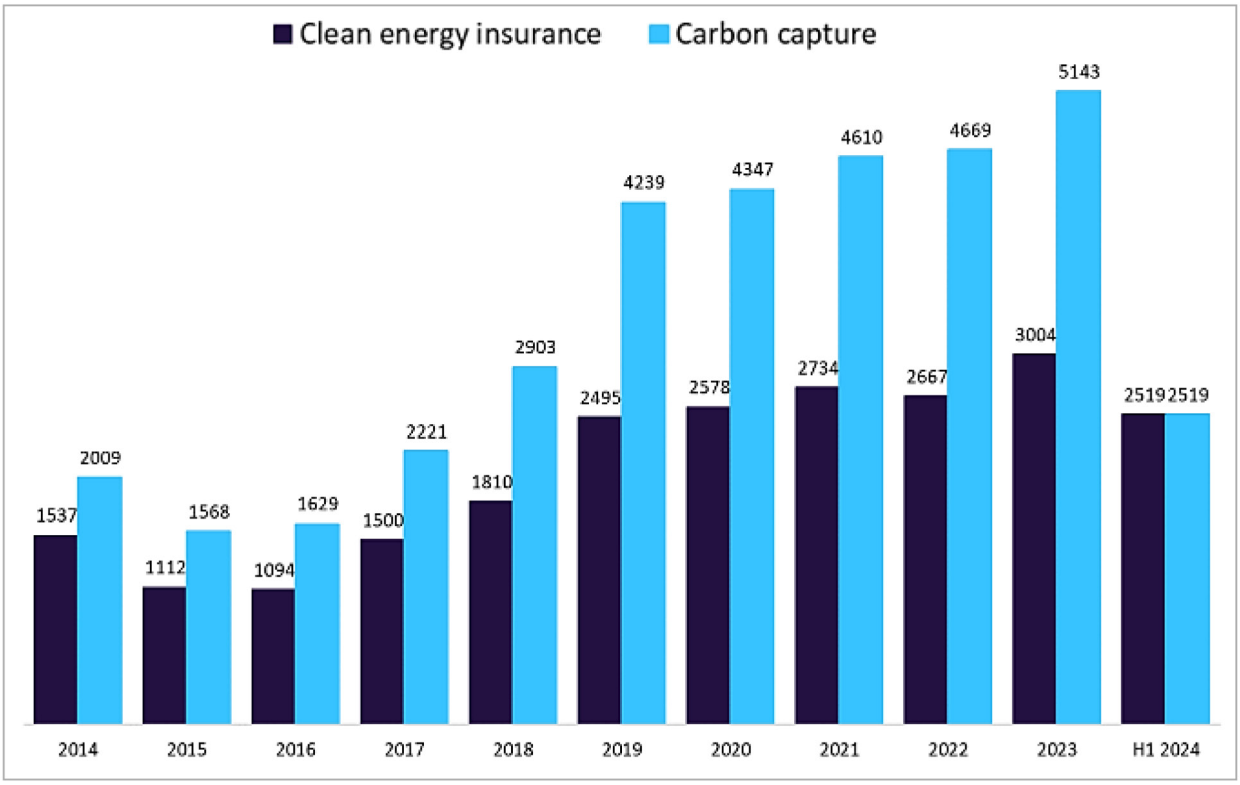
Through Q1, most **retrocession buyers** sought to secure similar limits to 2023, whereas mid-year purchasing saw increased demand in Q2 from existing buyers along with historical buyers returning to the market. The drivers of this increase were improved purchasing dynamics relative to 2023, underlying portfolio growth and active North Atlantic wind season forecasts.

"The reinsurance industry has responded to measurably increased demand in 2024, which has materialized at a level above many expectations. Reinsurers' attractive returns and improved capital positions are facilitating increased capacity in several sectors. Guy Carpenter is set to strategically help our clients in this new era of risk," concluded David Priebe, Chairman, Guy Carpenter. ■

Source: XPRIMM - 8 July 2024

• *Clean Energy Insurance Patents Rise as the Net-Zero Transition Accelerates*

GlobalData's analysis of patent publications highlights a notable increase in patents for clean energy insurance and carbon capture within the insurance industry in recent years, signalling a sector that is consistently striving to facilitate the transition to net zero. With the H1 2024 patent data showing promising results thus far in the year, it is foreseeable that there will be further expansion within this segment. increased innovation. As countries strive to achieve their net-zero commitments through the adoption of such technologies, insurers will have a new stream of income at a time when they continue limiting cover for carbon-intensive industries. Consequently, numerous companies have been launching new products and services to cater to this evolving landscape.



GlobalData's Patent Analytics database reveals a notable uptick in patents related to clean energy insurance and carbon capture in recent years. Specifically, the number of patents for clean energy insurance has surged to 3,004 in 2023, a significant increase from 1,537 in 2014. Similarly, patents for carbon capture within the insurance sector have risen from 2,009 in 2014 to 5,143 in 2023. This trend indicates a strategic shift towards developing and targeting these specialized products. Furthermore, H1 2024 patent data suggests that these two segments will continue to see

The prime example of the industry's move is the collaboration between Zurich Insurance Group and Aon to establish a clean energy insurance facility for hydrogen projects, which signifies a crucial advancement in supporting the shift towards sustainable energy sources. The high demand for insurance solutions in the clean energy sector, as evidenced by the oversubscription of the facility, underscores the growing interest in this area. The involvement of players such as Zurich and Aon highlights the significance of risk management and financial protection in facilitating the progress of clean energy projects. By providing comprehensive coverage for blue and green hydrogen projects, as well as Carbon Capture Utilization and Storage (CCUS) technologies, the facility addresses the complex risks associated with these initiatives, offering developers and investors the confidence needed to pursue such ventures.

Clean hydrogen is increasingly being acknowledged as a feasible alternative to traditional fossil fuels. The availability of tailored insurance solutions is anticipated to stimulate additional investment and foster innovation in this sector.

Furthermore, the incorporation of coverage for CCUS technologies in insurance offerings reflects a holistic approach to risk management across the entire value chain of hydrogen production.

This all-encompassing coverage not only safeguards against potential operational disruptions but also strengthens the resilience of clean energy infrastructure.

The insurance industry's dedication to embracing cleaner technologies is increasingly apparent as insurers are implementing measures to curtail or limit coverage for carbon-intensive sectors such as coal mining. Insurers are establishing timelines and objectives to realize a more sustainable operational framework, with many striving for a transition to net-zero emissions.

For instance, Munich Re has committed to reducing emissions linked to thermal coal underwriting by 35% by 2025 from a 2019 baseline, with a complete phase-out planned by 2040.

Additionally, the company aims to decrease emissions associated with oil and gas underwriting by 5% by 2025 from a 2019 baseline and achieve net-zero emissions by 2050. Furthermore, Howden introduced an insurance facility that addresses the seepage of carbon dioxide from large-scale carbon capture and storage facilities, driving crucial investment to bolster the global transition to net-zero emissions.

The approaches taken by Zurich, Aon, Howden, and Munich Re mark a significant step forward in the insurance industry's support for clean energy investments.

Through comprehensive insurance solutions for hydrogen projects and supporting clients, these collaborations will play a crucial role in accelerating the energy transition and meeting net-zero targets.

While the clean energy sector offers promising growth prospects and environmental benefits, it also comes with inherent risks.

This highlights the importance of emerging clean energy insurance solutions. Insurers have a critical role to play in facilitating the transition to a low-carbon future and mitigating the risks of climate change.

By supporting clients in navigating the evolving landscape of clean energy investments, insurers can contribute significantly to accelerating the energy transition and achieving net-zero targets. ■

Insurance DECODED (GlobalData) - 11 July 2024

GlobalData.

• *EU banks and insurers lag in green compliance,* PwC study finds

A recent PwC study has uncovered a striking deficiency in the alignment of financial institutions' activities with the EU's taxonomy for sustainable activities.

According to Environmental Finance, the report finds most financial undertakings and investments are far from aligning with the sustainable transition goals set by the European Union.

The study focused on how banks, insurers, and non-financial corporates measure up against the EU taxonomy benchmarks using indicators such as the Green Asset Ratio. The findings reveal that for banks, both turnover-based and capital expenditure-based alignment measures are dismally low at an average of 2%. This figure varies slightly across countries, ranging from 0% to 13%.

In the insurance sector, the scenario is equally grim. The average taxonomy alignment for underwriting activities stands at just 2%. When it comes to insurers' investments, the alignment is nearly non-existent for exposures to financial undertakings and only marginally better for non-financial corporates, with turnover-based and capital expenditures-based key performance indicators (KPIs) at 4% and 5% respectively.

Among non-financial corporates, it was observed that utilities and companies within the energy and resources industries exhibited higher levels of taxonomy alignment, indicating some sectors are more advanced in integrating sustainability into their business practices.

The PwC analysis encompassed a broad survey covering 12 countries across the EU, and included data from 530 non-financial and 97 financial companies.

"PwC analysis shows that there is a significant journey ahead to direct financial flows towards sustainable transition," PwC partner, Mark Wright, said. "This research underlines the urgent need for financial institutions to recalibrate their strategies towards sustainability." ■

Source: FinTeck Global – 26 July 2024

• *Insurers defend Nord Stream's €400m gas pipeline blast lawsuit as act of war*

Insurers for the Nord Stream gas pipeline damaged by blasts in 2022 have reportedly denied coverage following a lawsuit filed by the pipeline's operators in London's High Court seeking more than €400m from their insurers. Kommersant and Reuters said a written defence filed to the court stated the insurers – named in the suit as Lloyd's, Arch Insurance and Munich Re – would not pay because the damage was caused by an act of war. ■

Source: Commercial Risk Europe - Summer 2024

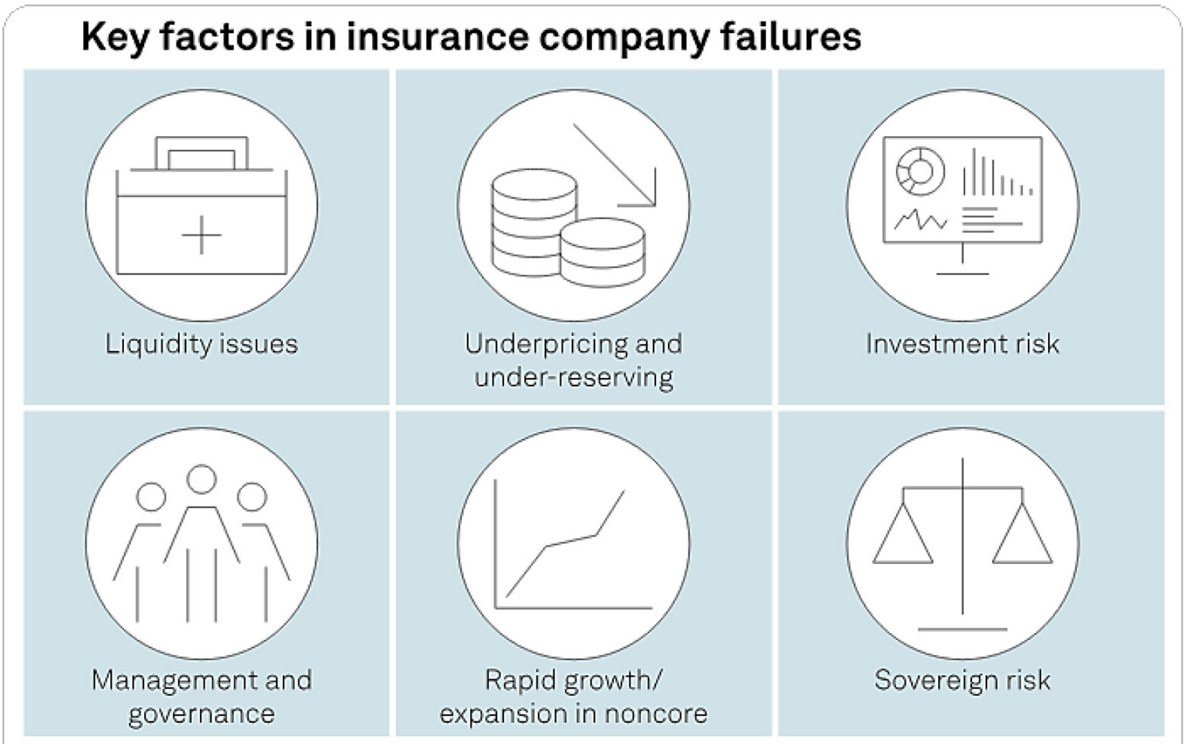
• *What May Cause Insurers to Fail?*

S&P Global
Primary Credit Analyst: Ron A Joas
Secondary Contacts:Simon Ashworth, Michelle M Brennan, Mark Button

Key Takeaways

- **There have been relatively few recent insurer failures, but the factors underlying failures have remained the same over time.**
- **Management and governance issues are the most common cause of failure.**
- **Risk concentrations and sovereign risk are also significant contributors.**

This perspective is understandable considering the significant improvements in the insurance sector, including in enterprise risk management and risk modeling, asset-liability management practices, and operational and regulatory issues. But behind the failures that have occurred recently, the same themes as in the past persist:



Source: S&P Global Ratings.

S&P Global Ratings' "What May Cause Insurance Companies To Fail--And How This Influences Our Criteria," published in 2013, studied insurance company defaults and the key factors behind them from the 1980s through the early 2000s.

We've since updated our analysis to account for more recent failures. Over the past 10 years, very few insurers we rate have defaulted. Because of this, it may be tempting to think of any failures as largely idiosyncratic.

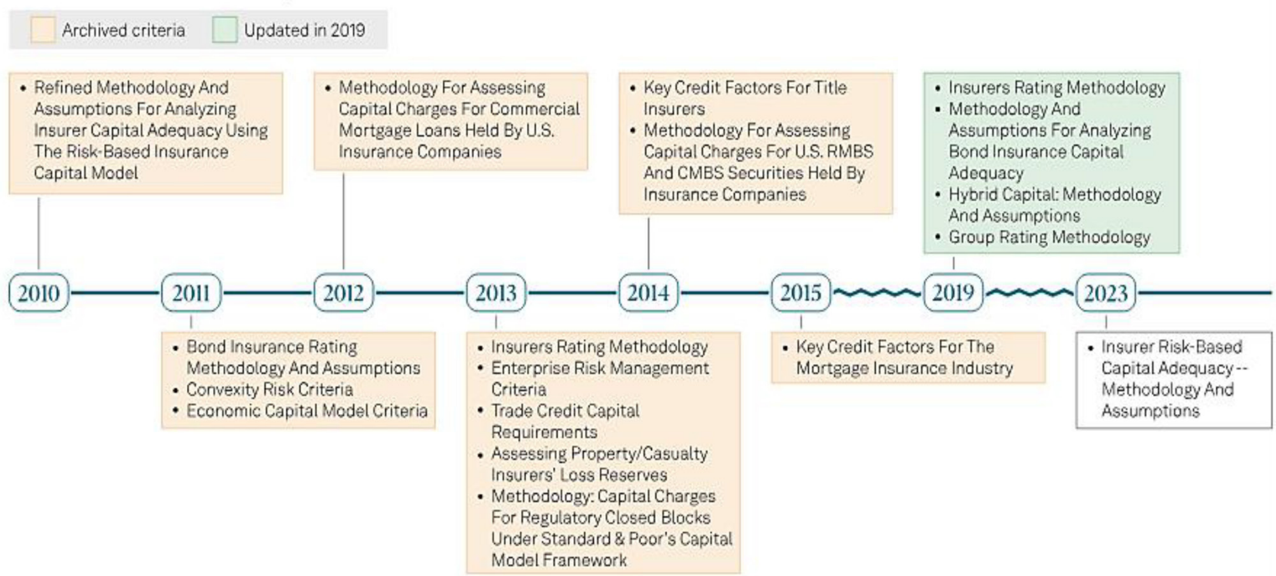
How We Develop our Criteria to Capture Risks

Our insurance criteria are intended to best capture the risks and exposures that arise for insurers over time. We continually fine-tune these criteria and respond to industry changes as they arise.

"Insurers Rating Methodology" provides the overall framework for insurers' business and financial risks and the exposures they take on in the course of their business. We updated these criteria in 2019, as well

as updated the hybrid capital, bond insurance capital adequacy, and group rating methodology criteria.
Most recently, in November 2023, we published our updated methodology and assumptions for analyzing the risk-based capital adequacy of insurers and reinsurers. The publication of these updated criteria was the final step in our market consultation process, resulting in improvements in our ability to differentiate risk, the global consistency of our methodology, and the transparency and usability of our capital model methodology.
We also seek to capture the impact of megatrends on insurance and other entities, as described in "Assessing How Megatrends May Influence Credit Ratings," published April 18, 2024.

Insurance criteria development over time



Source: S&P Global Ratings.

Past Insurer Failures

Several periods over the past 40 years were notable for failures among insurers we rate:

- 1984-1989: A number of predominantly casualty insurers in the U.S., including Mission Insurance Co. and Transit Casualty Insurance Co., became insolvent as loss reserves proved deficient following a period of inadequate pricing industrywide.
- 1992-1994: Several significant U.S. life insurers, including Executive Life Insurance Co., Mutual Benefit Life Insurance Co., and Confederation Life Insurance Co., failed due to a combination of illiquid asset concentrations and a lack of liquidity to meet maturing liabilities.
- 1999: The Russian Federation's selective default on some of its bonds led to severe pressure on the country's insurers holding these bonds, amounting to technical insolvency for some smaller insurers.
- 2000: Japanese life insurers, including Chiyoda Mutual Life Insurance Co., Kyoei Life Insurance Co., and Toho Mutual Life Insurance Co., voluntarily entered rehabilitation proceedings or closed their insurance business under regulatory order because guaranteed interest rates on savings products were no longer sustainable given low interest rates in Japan.
- 2002-2005: Several international non-life insurers and reinsurers failed, including Mutual Risk Management Ltd., Trenwick Group Ltd., GLOBALE Rueckversicherungs-AG, and Converium Reinsurance (North America)

Inc., predominantly due to deficient reserves for casualty lines following a period of inadequate pricing industrywide, compounded by weak risk management.

Recent Insurer Failures

Recent failures show commonalities, particularly management- and governance-related issues regarding companies' strategic capabilities and capital needs. Other key factors have been failures to adequately manage risk concentrations and asset and liability exposures.

able growth in asset or liability risk exposures, or even liquidity issues--that could ultimately result in a default.

Several defaults involved significant shifts in strategy wherein management pursued aggressive growth. In the case of Penn Treaty Network America Insurance Co., this growth strategy was an attempt to gain greater scale in the long-term care sector, noted for its mispriced policy benefits, reserve adjustments, and curtailment of policy benefits with more recent policy offerings.

Rated life and non-life insurer failures

	Yamato Life Insurance Co.	Penn Treaty Network America Insurance Co.	Scottish Annuity & Life Insurance Co. (Cayman) Ltd.	Western Pacific Insurance Ltd.	MMM Holdings LLC	Affirmative Insurance Holdings	Istmo Compania de Reaseguros Inc.	Grain Insurance Co. JSC
Line of business	Life	Life	Life	Non-life	Health	Non-life	Non-life	Non-life
Date of default rating	10/10/2008	1/7/2009	1/30/2009	4/4/2011	10/2/2015	10/14/2015	12/16/2016	3/20/2020
Domicile	Japan	U.S.	Cayman Islands	New Zealand	U.S.	U.S.	Panama	Kazakhstan
Key factors to default	Investment risk tolerances; asset concentrations.	Aggressive growth strategy in long-term care insurance; mispricing and reserving; liquidity issues with reinsurance providers.	Aggressive growth strategy leading to operational weaknesses and losses; asset concentrations and losses from impairments, combined with liquidity issues.	Exposure concentrations; catastrophe losses.	High usage of leverage, making the company more vulnerable to business downturns.	Rapid expansion into highly competitive markets with a commodity product, leading to mispricing, reserving issues, and operational losses.	Dramatic shift in strategy to primary insurance in conjunction with rapid expansion inconsistent with capabilities and capitalization.	Dispute arising from the sale of 50% ownership resulted in liquidity issues.

Management and governance

Management and governance issues remained an underlying cause of several of the recent defaults. Management missteps often lead to or contribute to other kinds of events--mispricing of products in an attempt to gain market share that leads to operational losses, unten-

Penn also had geographic concentrations and relied on reinsurers for capital relief. Ultimately, these limitations and poor results led to the company's placement under regulatory supervision in early 2009.

Strategic shifts can lead to operational weaknesses and capital strain, as in the case of Scottish Annuity & Life Insurance Co. (Cayman) Ltd., which also pursued aggressive growth, to such an extent that at one point in the early 2000s, it became the third-largest U.S. life reinsurer. However, this extreme growth outpaced its ability to manage, leading to significant losses, reputational damage, and liquidity issues that resulted in Scottish's defaults on its obligations.

Similar circumstances surrounded the defaults of Affirmative Insurance Holdings as well as Istmo Compania de Reaseguros Inc. For Istmo, the strategic shift occurred after QBE Holdings sold its participation in 2013, at which time the company attempted to shift its focus to primary insurance from reinsurance while attempting to expand in Mexico, Panama, and Chile. This move, combined with mismanagement of its receivable balances, proved too great a strain on capital, resulting in Istmo's placement under regulatory supervision in late 2016.

In a more unusual case, Grain Insurance Co. JSC underwent a change in management due to a sale of 50% of the ownership of the company. Due to disputes associated with this transfer, the succeeding management was unable to access the company's bank accounts, leading to liquidity issues that caused defaults on the company's obligations in March 2020.

MMM Holdings LLC, currently the largest Medicare Advantage (MA) plan and the second-largest Medicaid plan in Puerto Rico, also provides a recent example. Back in 2013-2014, the company faced significant earnings pressure due to cumulative MA rate cuts, higher medical costs, and industry taxes. It also had an aggressive financial policy with high leverage that made it more vulnerable to business downturns. Hurricanes in Puerto Rico were the source of those business downturns, resulting in the earnings pressure that caused MMM to default on its obligations in 2015. The underlying business remained viable, however, and ultimately Anthem Group acquired MMM in 2021.

Risk concentrations

Risk concentrations can appear on the asset side, in investment portfolios, or on the liability side, via the risk exposures for which insurers provide coverage. A company with highly diverse risk exposures is likely to exhibit less volatility. Conversely, risk concentrations can lead to volatility in capital and earnings, and in poor economic conditions, they may significantly contribute to a company's distress and lead to default.

Yamato Life Insurance Co. was a medium-size Japanese life insurer that had been in business for over 86 years at the time of its bankruptcy. The bankruptcy stemmed from rapid asset deterioration resulting from speculative investments, which made up about 30% of its investment portfolio. Yamato, along with other life insurers, had sought to increase yields from the investment portfolio to address guarantees associated with its policy offerings. When asset values deteriorated, it suffered $2.7 billion in stock holding and investment losses (including on subprime-mortgage-backed bonds) during the 2009 global financial crisis. The company ultimately filed for bankruptcy and was acquired. It now operates as Prudential Gibraltar Financial Life Insurance.

Western Pacific Insurance Ltd. was a niche insurer providing property/casualty insurance primarily in Papua New Guinea. Its small capital base was vulnerable to event risk and volatile earnings, although the use of a significant amount of reinsurance, resulting in the retention of only 15% of the risk exposure, somewhat mitigated these risks. However, the reinsurance was insufficient in the face of the Christchurch and Canterbury earthquakes of September 2010 and February 2011, after which Western was placed into liquidation.

Among insurers we don't rate, Eurovita SpA experienced a notable default, in late 2022. The Italian life insurer had concentrated product offerings that were significantly exposed to interest rate risk. Once the company came under stress from rising interest rates and increased lapsation, its deferred tax assets (which were allowed as capital under the Italian regulatory regime) eroded to the extent that they were deemed largely unrealizable.

Its regulatory capital declined rapidly as future tax benefits were written off in 2021 as the company came under pressure, and deterioration continued as the stress increased in 2022. In fourth-quarter 2022, the insurer deferred coupons on hybrid securities, and in first-quarter 2023, administrators were appointed.

Sovereign risk

Sovereign risk remains a significant factor in the insurance sector globally. While sovereign risk influences economic conditions generally, geopolitical developments can raise questions about the availability of reinsurance coverage, as well as the potential for disputes about insurance policy exclusions. Sovereign risk can thus affect revenue, claims, and business risk for insurers.

For example, we withdrew the ratings on all Russian insurers (see Related Research) following the EU's decision in March 2022 to ban the provision of credit ratings to legal persons, entities, or bodies established in Russia.

Each of our long-term local currency ratings on Russia-based insurers at the time of the withdrawals was 'CCC+' (apart from one entity that we expected would benefit from an unlimited parental guarantee) and incorporated the impact of various government actions on the entity. For example, the Central Bank of Russia had issued a decree according to which Russian companies were prohibited from transferring risks to reinsurance companies from a list of "unfriendly" countries.

Our understanding was that Russia-based insurers would need the approval of the central bank to make offshore payments. This example illustrates how government actions can affect the operating conditions for insurers.

Bond and Mortgage Insurers

The global financial crisis hit the bond and mortgage insurance sectors particularly hard. However, the same key factors responsible for failures in the broader insurance industry were also largely responsible for these failures. In particular, management and governance of coverage exposures and resulting risk concentrations played significant roles.

Generally speaking, in the 2005-2007 vintages, which were among the worst performing, bond insurers had varying exposures to non-prime and subprime residential mortgage-backed securities, collateralized debt obligations of asset-backed securities, home equity lines of credit, and Alt-A. These exposures mirrored the broader securitization market, notwithstanding their deteriorating risk characteristics.

As such, these were failures of risk management, wherein the tolerance levels were too permissive; the monitoring of risk exposures was not adequate, given the risk characteristics; and the underlying loss assumptions allowing for the less restrictive underwriting standards were too lenient in the face of the potential losses that could occur if assumptions were exceeded. Ultimately, these failures allowed for greater risk concentrations with greater correlations across portfolios, resulting in losses that rapidly accelerated amid declining macroeconomic conditions.

Similarly, mortgage insurers had ramped up exposure to the housing market in the 2005-2007 vintages, despite the deterioration in underlying loan risk factors. Loans with higher loan-to-value ratios, lower credit scores, and little or no verified documentation of income, as well as interest-rate-only loans, became more significant exposures. While each mortgage insurer might have handled particular risk attributes differently, nevertheless the dramatic macroeconomic shift, including significant deterioration in employment and real estate values, caused dramatic increases in mortgage defaults and losses for mortgage insurers.

While these insurers also faced significant reserve development, the underlying failure to adequately manage the increasing exposure to lower-quality loans was the primary factor in the defaults. Mortgage insurers hadn't expected that macroeconomic variables, particularly property values, could decline so rapidly.

For the most part, neither the bond insurers nor mortgage insurers were exposed to liquidity risk, given the losses they had to pay out on either were payable over a number of years (bond insurers) or took several years to fully develop and be payable (mortgage insurers). Indeed, some mortgage insurers, such as Republic Mortgage Insurance Co., ended up running off profitably after initially being placed under regulatory supervision. ■

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Africa News

• *Wave of credit downgrades in Africa could grow demand for political risk insurance:* **Chaucer**

by Kassandra Jimenez-Sanchez

African countries saw a wave of credit rating downgrades last year with only four upgrades to their sovereign bonds, going against the global trend of net upgrades – 20 downgrades and 48 upgrades in 2023 – according to specialty re/insurance group Chaucer.

Demand for political risk insurance usually grows influenced by the downgrades of sovereign debt as it protects businesses from the risk of financially stressed countries failing to honour contracts with a business.

Over the past twelve months, African countries have accounted for 43% (15 downgrades out of 35) of global credit downgrades, according to Chaucer's report.

Over a quarter of all downgrades of sovereign bonds (10 downgrades or 29% of the total) were in Sub-Saharan Africa alone. North Africa had five downgrades and 0 upgrades.

In addition, 43% downgrades made to sovereign bonds globally were inside Africa, while only 8% upgrades made to sovereign bonds globally were outside the continent.

Increased interest rates have pushed up borrowing costs for many African countries, while a strong dollar has also made it more expensive for them to service hard currency debt.

Higher global interest rates make it harder for governments to service their debts as they must pay higher coupons on new bonds and higher payments on index linked bonds, analysts explain.

"Many African countries are contending with a combination of external financial pressures and internal political pressures. These challenges have driven away investors with a lower risk-appetite," said Jonathan Bint, Senior Analyst and Underwriter at Chaucer.

Adding: "The debt downgrades have also caused businesses with commercial contracts, such as infrastructure investments, to re-examine their exposure to those countries and see if they need more insurance cover to limit their downside."

Sovereign debt downgrades often further increase the borrowing costs of a country, this could potentially lead to a downward spiral in the economy.

Civil unrest and changes of government across a number of Central African states have also contributed to the credit ratings of sovereign bonds in some countries.

With four and two downgrades, Ethiopia and Cameroon have had years of separatist conflicts, in Tigray and Ambazonia respectively. Niger (three downgrades) had a sudden change in government last year.

Countries in Western and Central Africa have undergone multiple changes of government in the past few years. Coups in Niger and Gabon have heightened fears that business assets could be expropriated.

The past year has also seen civil war erupt in Sudan, with the economic fallout impacting all its neighbours. Bint said: "Government change creates uncertainty for businesses. This is especially true of sudden regime changes. The cancellation of contracts is one of the primary concerns businesses have with these new governments.

"Frequent changes in government drive up demand for contract frustration cover – especially in the most volatile regions."

In comparison, the Global North fares better, with G7 countries having received only one downgrade in 2023, and the European Economic Area (EEA) and Switzerland received just two downgrades and 12 upgrades.

52 countries saw their government bonds upgraded last year, a 33% increase on the number of upgrades made in 2022/23.

Chaucer analysts noted that downgrades of sovereign debt have mainly concentrated in the Global South, with Latin America and the Caribbean accounting for more than one quarter (11 downgrades or 31% of the total) of downgrades.

Despite this, LatAm and the Caribbean saw 19 upgrades to sovereign bonds, this large number of upgrades mean the region actually netted eight sovereign debt upgrades last year, according to analysts.

The Middle East and North Africa (MENA) had seven downgrades (20% of the total).

Bint concluded: "The Global North has fared relatively well in the past year. The EEA and Switzerland have seen their sovereign bond ratings improve substantially.

"More sovereign debt downgrades present increased risk for businesses globally. Failure to protect themselves could leave businesses exposed." ■

Source: Reinsurance New – 8 July 2024

• *Comprehensive Report on IFRS 17 Implementation in African Countries*

The implementation of IFRS 17 (International Financial Reporting Standard 17) in African countries has marked a significant shift in how insurance companies report their financial results. This standard replaces IFRS 4 and introduces a uniform accounting approach for all insurance contracts, aimed at increasing transparency, comparability, and consistency across markets. The transition to IFRS 17 has posed challenges and opportunities for African insurance markets, where the adoption speed varies based on each country's regulatory framework, market maturity, and capacity of local insurers to adapt.

Overview of IFRS 17

IFRS 17, introduced by the International Accounting Standards Board (IASB) in May 2017, is a global accounting standard for the insurance industry. Its main purpose is to unify the financial reporting of insurance companies worldwide, fostering greater transparency, consistency, and comparability of their financial statements. Initially set to take effect in 2021, its implementation was delayed until January 2023 due to the complexity involved.

Basic Principles

1. **Transition from Historical to Forward-Looking Accounting**: IFRS 17 requires insurance liabilities to be measured at market value, focusing on the present value of future cash flows, instead of relying on historical data.
2. **Profit Recognition Over Time**: Under IFRS 17, profit recognition is spread throughout the life of an insurance contract, ensuring consistency with the services provided, contrasting with previous practices where profits could be recognized upfront.
3. **Transparent and Standardized Reporting**: Insurers must provide clear information on profit sources, including a separation of technical and financial income, harmonized with other IFRS standards.
4. **Contract Grouping**: Contracts must be grouped into homogeneous categories based on underwriting year and similar cost status, increasing the complexity of financial reporting.

Objectives of IFRS 17

- Establish a uniform accounting system across the globe.
- Improve transparency, consistency, and understanding of insurance financial statements.
- Facilitate international comparability of insurers' financial health.
- Enhance understanding of insurance contract options and the impact of external factors on companies' financial positions.
- Harmonize insurance accounting with other IFRS standards like IFRS 9 and IFRS 15.

Implementation and Global Adoption

By mid-2023, over 144 countries, including European, Asian, and Middle Eastern markets, adopted IFRS 17, though the pace and timelines of implementation vary globally. Some countries, such as South Africa, have already adopted localized versions like SAURS 17, while others, such as Indonesia and the Philippines, have postponed implementation until 2025.

Challenges

- Operational Adjustments: Insurance companies face challenges in adapting to IFRS 17 due to necessary changes in valuation principles, IT infrastructure, and interdepartmental collaboration.
- Volatility: The standard may introduce greater volatility in financial statements, particularly in non-life and equity capital markets.
- Comparability Issues: While the standard enhances comparability, differing approaches to implementation can lead to inconsistencies across insurers.

In conclusion, IFRS 17 represents a significant step towards modernizing and standardizing insurance accounting, though its adoption requires careful planning and adjustment across the industry.

Below is a country-by-country overview of IFRS 17 implementation across the selected African countries, focusing on the key progress, challenges, and expected impacts.

1. Algeria

- **Regulatory Environment**: The Algerian insurance regulator has laid the groundwork for adopting IFRS 17, but the local market is still transitioning from older local accounting standards. Local insurance companies are gradually upgrading their systems and actuarial capabilities to align with IFRS 17.
- **Key Challenges**: Limited technical expertise and the need for a comprehensive regulatory framework.
- **Impact**: IFRS 17 is expected to improve the transparency of the insurance market and help international investors better assess the financial health of Algerian insurers.

2. Angola

- **Regulatory Environment**: Angola's adoption of IFRS 17 is underway, with significant progress in regulatory guidance. The central bank is playing a pivotal role in setting timelines for the full adoption of IFRS 17 for insurance companies.
- **Key Challenges**: Economic instability and currency fluctuations could affect the smooth implementation of IFRS 17.
- **Impact**: Improved financial disclosures could enhance market confidence and attract foreign investments into Angola's insurance sector.

3. Benin

- **Regulatory Environment**: Benin is part of the CIMA (Conférence Interafricaine des Marchés d'Assurances) zone, which is working toward the regional implementation of IFRS 17. The transition to IFRS 17 is expected to follow regional guidelines.
- **Key Challenges**: Lack of sufficient local expertise and reliance on regional initiatives.
- **Impact**: As part of the CIMA zone, IFRS 17 will standardize insurance reporting across Francophone West African markets, increasing comparability.

4. Botswana

Regulatory Environment: Botswana has made strides in IFRS 17 implementation, with local regulators providing guidelines for the transition. Insurers are working on enhancing their actuarial models.

Key Challenges: Training and system upgrades for smaller insurers.

Impact: Enhanced clarity in financial statements will position Botswana as a key player in attracting international insurance investments.

5. Burkina Faso

Regulatory Environment: Burkina Faso, part of the CIMA zone, is moving toward IFRS 17 adoption under regional initiatives. CIMA provides technical support to local insurers.

Key Challenges: Limited resources and technical know-how.

Impact: Regional collaboration under CIMA will support a smoother transition, improving reporting standards in the local insurance market.

6. Burundi

Regulatory Environment: Burundi has a nascent insurance market, and IFRS 17 implementation is in the early stages. Local regulators are working with international bodies to develop a phased approach.

Key Challenges: Limited market size and lack of technical expertise.

Impact: Implementation of IFRS 17 is expected to foster transparency and build investor confidence in Burundi's insurance sector.

7. Cameroon

Regulatory Environment: As part of the CIMA zone, Cameroon's insurance sector is progressing towards IFRS 17 adoption. Regional efforts are helping to standardize the transition process.

Key Challenges: Capacity building and technical readiness of local insurers.

Impact: Improved comparability across CIMA member countries, attracting more cross-border investment.

8. Cape Verde

Regulatory Environment: Cape Verde is progressing steadily in adopting IFRS 17, with regulators issuing timelines for insurers. Technical assistance is being provided to support local implementation.

Key Challenges: Lack of experienced actuarial professionals.

Impact: Enhanced financial transparency will attract foreign insurers and improve Cape Verde's competitiveness.

9. Central African Republic

Regulatory Environment: As part of the CIMA zone, the Central African Republic is aligning with regional standards for IFRS 17. However, the implementation timeline is slower due to political and economic instability.

Key Challenges: Political instability and inadequate regulatory infrastructure.

Impact: IFRS 17 adoption could be delayed, impacting the overall transparency of the insurance market.

10. Chad

Regulatory Environment: As a CIMA member, Chad's transition to IFRS 17 is being supported by regional regulators. The country's insurance market is relatively small, making the transition slower.

Key Challenges: Lack of financial and technical resources.

Impact: IFRS 17 could improve the appeal of Chad's insurance sector to international investors once adopted.

11. Democratic Republic of the Congo

Regulatory Environment: The Democratic Republic of the Congo is in the preliminary stages of adopting IFRS 17. Local regulatory bodies are working with international partners to support the transition.

Key Challenges: Political instability, currency risks, and insufficient regulatory framework.

Impact: IFRS 17 will bring much-needed transparency to the Congolese insurance market.

12. Djibouti

Regulatory Environment: Djibouti is gradually implementing IFRS 17, with significant support from international partners, particularly from France.

Key Challenges: Small market size and low technical capacity.

Impact: Enhanced transparency will help Djibouti attract more foreign direct investment in the insurance sector.

13. Egypt

- **Regulatory Environment**: Egypt has made considerable progress in adopting IFRS 17, with the Financial Regulatory Authority (FRA) issuing guidelines for insurance companies. The Egyptian insurance market is well-advanced compared to other African countries.
- **Key Challenges**: Managing the transition costs for smaller insurers.
- **Impact**: IFRS 17 will increase transparency, promoting Egypt as a regional hub for insurance.

14. Equatorial Guinea

- **Regulatory Environment**: Equatorial Guinea is part of the CIMA zone, and regional efforts are underway to align with IFRS 17. Local insurers are receiving technical assistance from CIMA.
- **Key Challenges**: Political instability and small market size.
- **Impact**: Regional alignment with IFRS 17 will improve comparability with other CIMA member countries.

15. Eritrea

- **Regulatory Environment**: Eritrea is still in the very early stages of considering IFRS 17. Local regulatory bodies are not yet fully engaged in the transition process.
- **Key Challenges**: Lack of regulatory guidance and market readiness.
- **Impact**: The transition to IFRS 17 will likely be slow, with minimal immediate impact on the insurance market.

16. Eswatini (Swaziland)

- **Regulatory Environment**: Eswatini is making slow progress toward IFRS 17 adoption, with regulators focusing on capacity building within the insurance sector.
- **Key Challenges**: Limited technical expertise and infrastructure.
- **Impact**: IFRS 17 will improve financial disclosures and help attract foreign investment.

17. Ethiopia

- **Regulatory Environment**: Ethiopia's insurance market is preparing for IFRS 17, with the National Bank of Ethiopia playing a key role in guiding insurers through the transition process.
- **Key Challenges**: High transition costs and lack of technical expertise.
- **Impact**: IFRS 17 will enhance the transparency and stability of the Ethiopian insurance market.

18. Gabon

- **Regulatory Environment**: As part of the CIMA zone, Gabon is on track to adopt IFRS 17 through regional efforts.
- **Key Challenges**: Limited local expertise.
- **Impact**: IFRS 17 will standardize reporting across CIMA countries, improving Gabon's insurance market's attractiveness.

19. Gambia

- **Regulatory Environment**: Gambia is in the early stages of adopting IFRS 17, with technical assistance from international bodies.
- **Key Challenges**: Small market size and lack of experienced professionals.
- **Impact**: Improved transparency under IFRS 17 will enhance market efficiency.

20. Ghana

- **Regulatory Environment**: Ghana has made significant progress in the adoption of IFRS 17, driven by the National Insurance Commission (NIC). The regulator has issued timelines and provided training to ensure a smooth transition. Most major insurers in the country are already in the process of implementing IFRS 17.
- **Key Challenges**: Smaller and mid-sized insurers face challenges in upgrading their systems and actuarial models.

- **Impact**: IFRS 17 will increase transparency and comparability within Ghana's insurance market, making it more attractive to international investors.

21. Guinea

- **Regulatory Environment**: Guinea is part of the CIMA zone, and the country's transition to IFRS 17 is following the regional guidelines. Insurers are working with regional regulators to adopt the new standard.
- **Key Challenges**: Lack of adequate local expertise and a relatively small insurance market.
- **Impact**: IFRS 17 will improve financial reporting, enhancing the credibility of Guinea's insurance market.

22. Ivory Coast (Côte d'Ivoire)

- **Regulatory Environment**: As a key member of the CIMA zone, Côte d'Ivoire is progressing well in adopting IFRS 17. The country's insurance market, one of the largest in Francophone West Africa, is working closely with CIMA to ensure compliance.
- **Key Challenges**: Training and technological upgrades for local insurers.
- **Impact**: Increased transparency and comparability will boost investor confidence and regional cooperation.

23. Kenya

- **Regulatory Environment**: Kenya's insurance regulator, the Insurance Regulatory Authority (IRA), has been proactive in rolling out IFRS 17. The IRA has issued guidelines, and the majority of large insurers are prepared for full implementation.
- **Key Challenges**: Small and medium-sized insurers face significant cost and capacity barriers in implementing IFRS 17.
- **Impact**: Enhanced financial reporting under IFRS 17 will improve market transparency, making Kenya a more attractive destination for foreign investments in the insurance sector.

24. Lesotho

- **Regulatory Environment**: Lesotho's insurance market is still in the preliminary stages of adopting IFRS 17. The local regulatory body is working with South African authorities and international bodies to provide guidance.
- **Key Challenges**: Small market size and lack of local expertise are key hurdles in the IFRS 17 transition.
- **Impact**: IFRS 17 will increase transparency, but the market may face delays in full implementation.

25. Liberia

- **Regulatory Environment**: Liberia is gradually preparing for IFRS 17, but the local insurance market is small and underdeveloped. The Central Bank of Liberia has provided initial guidance, though full adoption is expected to take time.
- **Key Challenges**: Lack of technical capacity and financial resources to support IFRS 17 implementation.
- **Impact**: IFRS 17 will help bring transparency to Liberia's nascent insurance market, but progress is likely to be slow.

26. Libya

- **Regulatory Environment**: Libya has started laying the groundwork for IFRS 17, but political instability has slowed progress. Local insurers are cautiously making efforts to upgrade their financial reporting systems.
- **Key Challenges**: Political instability and a lack of regulatory oversight have significantly hindered IFRS 17 adoption.
- **Impact**: Full implementation of IFRS 17 will likely be delayed, though once adopted, it could improve financial transparency in the Libyan insurance market.

27. Madagascar

- **Regulatory Environment**: Madagascar's insurance sector is in the early stages of transitioning to IFRS 17. The country's financial regulators are collaborating with international organizations to provide technical support.
- **Key Challenges**: Limited resources and technical know-how among local insurers.
- **Impact**: IFRS 17 will improve financial reporting, making Madagascar's insurance market more transparent and attractive to potential investors.

28. Malawi

- **Regulatory Environment**: Malawi has initiated the process of adopting IFRS 17, led by the Reserve Bank of Malawi. Large insurers are more prepared, while smaller companies are struggling with the technical aspects.
- **Key Challenges**: High costs and limited actuarial expertise are the primary challenges in the transition.
- **Impact**: IFRS 17 will enhance market transparency, boosting investor confidence in Malawi's insurance industry.

29. Mali

- **Regulatory Environment**: As a member of the CIMA zone, Mali is progressing under the regional initiative to adopt IFRS 17. However, the implementation is still in its early stages.
- **Key Challenges**: Political instability and lack of local expertise have slowed the process.
- **Impact**: IFRS 17 will improve transparency, but full adoption will depend on regional stability and support from CIMA.

30. Mauritania

- **Regulatory Environment**: Mauritania's insurance market is relatively small, and the adoption of IFRS 17 is progressing slowly. Local regulatory bodies are working with international partners to provide guidance.
- **Key Challenges**: Limited financial resources and lack of technical expertise.
- **Impact**: Once adopted, IFRS 17 will improve financial transparency, though progress may be slow due to market size and capacity issues.

31. Mauritius

- **Regulatory Environment**: Mauritius has made significant strides in IFRS 17 implementation. The Financial Services Commission (FSC) is leading the transition, with many insurers already in advanced stages of adoption.
- **Key Challenges**: High transition costs, particularly for smaller insurers.
- **Impact**: IFRS 17 will improve financial reporting, positioning Mauritius as a leading insurance hub in the Indian Ocean region.

32. Morocco

- **Regulatory Environment**: Morocco's insurance market, one of the largest in North Africa, is well-advanced in adopting IFRS 17. The country's regulatory authority, ACAPS, has issued clear guidelines, and most major insurers are prepared for the transition.
- **Key Challenges**: Smaller insurers face challenges in system upgrades and actuarial calculations.
- **Impact**: IFRS 17 will enhance transparency and comparability, further strengthening Morocco's position as a leading insurance market in the region.

33. Mozambique

- **Regulatory Environment**: Mozambique is in the early stages of IFRS 17 adoption, with local regulators working to provide guidance and support to insurers.
- **Key Challenges**: Economic instability and lack of local expertise have slowed the transition.

- **Impact**: IFRS 17 will improve the financial transparency of the insurance sector, though implementation may be gradual.

34. Namibia

- **Regulatory Environment**: Namibia has made good progress in adopting IFRS 17, driven by the Namibia Financial Institutions Supervisory Authority (NAMFISA). Many insurers are in the process of upgrading their systems and models.
- **Key Challenges**: Smaller insurers face challenges in meeting the technical requirements of IFRS 17.
- **Impact**: IFRS 17 will increase transparency and comparability, enhancing the attractiveness of Namibia's insurance market to international investors.

35. Niger

- **Regulatory Environment**: As part of the CIMA zone, Niger is progressing toward IFRS 17 adoption under regional efforts. The CIMA zone provides technical assistance to local insurers.
- **Key Challenges**: Lack of local expertise and small market size.
- **Impact**: IFRS 17 will enhance financial reporting standards, improving transparency across the CIMA region, including Niger.

36. Nigeria

- **Regulatory Environment**: Nigeria is one of the leaders in IFRS 17 implementation in Africa. The National Insurance Commission (NAICOM) has issued detailed guidelines, and many insurers are in advanced stages of transition.
- **Key Challenges**: High transition costs, especially for smaller and mid-sized insurers.
- **Impact**: IFRS 17 will bring increased transparency and comparability to Nigeria's insurance market, making it more attractive to international investors.

37. Republic of the Congo

- **Regulatory Environment**: As part of the CIMA zone, the Republic of the Congo is aligning its IFRS 17 implementation with the regional regulatory framework. The transition is still in progress with support from CIMA.
- **Key Challenges**: The market's limited size and lack of technical expertise are key barriers to quick adoption.
- **Impact**: Once implemented, IFRS 17 will improve transparency and reporting quality, though the timeline may be slower compared to larger markets.

38. Rwanda

- **Regulatory Environment**: Rwanda's National Bank has taken steps to guide insurers in adopting IFRS 17. Some larger insurers are already preparing for compliance, while smaller firms are lagging.
- **Key Challenges**: Limited resources, technical expertise, and the high cost of system upgrades.
- **Impact**: The new standard will increase market transparency and make Rwanda more appealing to foreign investors, particularly in its rapidly growing financial sector.

39. Senegal

- **Regulatory Environment**: Senegal is another member of the CIMA zone, where the adoption of IFRS 17 is being overseen by the regional body. Larger insurers are making progress, but the overall adoption timeline remains uncertain.
- **Key Challenges**: The small size of the insurance market and the high cost of transitioning to new reporting standards.
- **Impact**: IFRS 17 will significantly enhance the comparability and transparency of financial statements, benefiting the

Senegalese market in the long term.

40. Seychelles

- **Regulatory Environment**: The Central Bank of Seychelles has initiated discussions on IFRS 17, and insurers are beginning to prepare for the transition. The market's small size presents challenges, but regulatory authorities are providing support.
- **Key Challenges**: High costs of compliance and limited technical capacity.
- **Impact**: IFRS 17 will improve transparency and attract potential investors, though smaller insurers may face challenges in the early stages of implementation.

41. Sierra Leone

- **Regulatory Environment**: Sierra Leone is in the preliminary stages of IFRS 17 adoption, with the Bank of Sierra Leone leading efforts to introduce the new standard to insurers.
- **Key Challenges**: A small insurance market, lack of infrastructure, and the cost of implementation.
- **Impact**: Full adoption of IFRS 17 will bring more transparency, though progress may be slow due to market conditions and limited capacity.

42. Somalia

- **Regulatory Environment**: Somalia is in the very early stages of rebuilding its insurance industry after years of instability. IFRS 17 adoption is not yet a priority, though initial regulatory discussions have been held.
- **Key Challenges**: Political instability, a lack of regulatory infrastructure, and almost no formal insurance market.
- **Impact**: Once stability improves, IFRS 17 could play a role in bringing transparency to Somalia's nascent insurance market, though this will take significant time.

43. South Africa

- **Regulatory Environment**: South Africa is a leader in IFRS 17 adoption in Africa, with the Financial Sector Conduct Authority (FSCA) overseeing the transition. Major insurers are well-prepared for compliance, and the country has significant local expertise.
- **Key Challenges**: The primary challenge lies in managing the high cost of transitioning, particularly for smaller firms.
- **Impact**: IFRS 17 will enhance transparency and comparability in one of Africa's largest insurance markets, solidifying South Africa's status as a regional financial hub.

44. South Sudan

- **Regulatory Environment**: South Sudan's insurance market is still in its infancy, and the country is not yet prepared to adopt IFRS 17. The insurance regulator has started preliminary discussions, but political instability hinders progress.
- **Key Challenges**: Lack of regulatory framework, market size, and technical expertise.
- **Impact**: Implementation of IFRS 17 is unlikely in the near future. However, if adopted, it will greatly improve the transparency of the market when it becomes more developed.

45. Sudan

- **Regulatory Environment**: Sudan is in the early stages of exploring IFRS 17, but political instability and economic challenges have delayed any concrete steps toward implementation.
- **Key Challenges**: The political and economic environment, coupled with a lack of local expertise, makes IFRS 17 adoption a distant goal.
- **Impact**: If adopted, IFRS 17 could improve financial transparency, but the timeline for implementation is unclear.

46. Tanzania

- **Regulatory Environment**: Tanzania has made good progress toward IFRS 17, with the Tanzania Insurance Regulatory Authority (TIRA) leading the efforts. Large insurers are moving forward, though smaller companies are facing challenges in upgrading systems.
- **Key Challenges**: High costs of implementation, especially for smaller insurers.
- **Impact**: IFRS 17 will bring greater transparency and comparability to the Tanzanian insurance market, making it more attractive to international investors.

47. Togo

- **Regulatory Environment**: As part of the CIMA zone, Togo is following the regional IFRS 17 implementation guidelines. The local market is progressing steadily under CIMA's oversight.
- **Key Challenges**: Limited technical capacity and small market size.
- **Impact**: IFRS 17 will increase transparency and improve financial reporting, though full adoption may take time due to resource constraints.

48. Tunisia

- **Regulatory Environment**: Tunisia has taken significant steps toward adopting IFRS 17, with the insurance regulator issuing initial guidelines. Major insurers are in the process of implementing the standard, though smaller firms may need more time.
- **Key Challenges**: Transition costs and the need for upgraded actuarial models are the primary challenges for the local market.
- **Impact**: IFRS 17 will improve financial transparency and attract more foreign investment to Tunisia's insurance sector.

49. Uganda

- **Regulatory Environment**: Uganda's Insurance Regulatory Authority (IRA) is guiding the market toward IFRS 17 compliance. Large insurers are progressing well, while smaller companies face significant challenges.
- **Key Challenges**: High transition costs and lack of expertise for smaller firms.
- **Impact**: The adoption of IFRS 17 will enhance transparency and comparability, strengthening Uganda's position in the East African insurance market.

50. Zambia

- **Regulatory Environment**: Zambia's insurance regulator, the Pensions and Insurance Authority (PIA), has issued guidelines for IFRS 17, with most large insurers preparing for full compliance. Smaller firms are progressing more slowly due to resource constraints.
- **Key Challenges**: High costs and the need for skilled actuarial professionals.
- **Impact**: IFRS 17 will bring more transparency and comparability to Zambia's insurance market, making it more attractive to international investors.

51. Zimbabwe

- **Regulatory Environment**: Zimbabwe's insurance sector is slowly moving toward IFRS 17 adoption, though the economic environment presents significant challenges. The Insurance and Pensions Commission (IPEC) is providing guidance to insurers.
- **Key Challenges**: Hyperinflation and economic instability have slowed the progress of IFRS 17 implementation.
- **Impact**: Full adoption of IFRS 17 will improve transparency in Zimbabwe's insurance market, but the economic situation remains a major obstacle.

Conclusion and Outlook for IFRS 17 in Africa

IFRS 17 is gradually being implemented across Africa, with countries like South Africa, Nigeria, and Ghana leading the way. Other countries face challenges related to infrastructure, regulatory readiness, and capacity building. Regional harmonization efforts, such as those within CIMA (Conférence Interafricaine des Marchés d'Assurances), are expected to streamline implementation across West and Central Africa.

Key Challenges:

- Transition from local accounting standards.
- Developing technical and actuarial expertise.
- Data infrastructure and compliance with the new models.

Outlook:

- Full implementation is likely to vary, with more advanced economies in Africa meeting the 2024-2025 timelines, while others may face longer delays due to resource and regulatory challenges.

African countries are increasingly seeing the benefits of adopting IFRS 17, which provides greater transparency, comparability, and alignment with global standards, enhancing the insurance market's credibility across the continent. ■

ANGOLA

- *Angolan insurance market in 2022*

Angolan insurance market: 2022's turnover per class of business

Figures in thousands

Companies	2022 turnover		2021 turnover		2022-2021 evolution [1]	2022 shares
	In AOA	In USD	In AOA	In USD		
Accidents and health [2]	151481446	301448	135257046	240758	12.00%	48.44%
Energy	47833801	95189	60145245	107059	-20.47%	15.30%
Motor	29318880	58345	25186803	44832	16.41%	9.37%
Other property damage	23487440	46740	21109499	37575	11.26%	7.51%
Fire and natural catastrophes	11672305	23228	12864148	22898	-9.26%	3.73%
Marine	7120737	14170	7845473	13965	-9.24%	2.28%
General third party liability	6693362	13320	4620132	8224	44.87%	2.14%
Miscellaneous risks	9799090	19500	3163675	5631	209.74%	3.13%
Non-life total	**287407061**	**571940**	**270192021**	**480942**	**6.37%**	**91.90%**
Life total	**25337304**	**50421**	**7840317**	**13956**	**223.17%**	**8.10%**
Grand total	**312744365**	**622361**	**278032338**	**494898**	**12.48%**	**100%**

[1] Evolution in local currency [2] Including travel insurance

Source: Fundos de Pensões e Mediação de Seguros, Angola, 2022 Annual Report

Insurance companies in Angola: 2022 ranking

Figures in thousands

Companies	2022 turnover		2021 turnover		2021-2022 evolution [1]	2022 shares
	AOA	USD	AOA	USD		
Ensa Seguros de Angola	94 417 524	187 891	97 839 580	174 154	-3.50%	30.19%
Nossa Seguros	44 315 876	88 189	36 199 810	64 436	22.42%	14.17%
Fidelidade Seguros Angola	36 810 012	73 252	31 139 622	55 429	18.21%	11.77%
Sanlam Angola Seguros	34 214 233	68 086	35 282 304	62 803	-3.03%	10.94%
Mundial Seguros	19 171 230	38 151	4 448 517	7 918	330.96%	6.13%
BIC Seguros	13 135 263	26 139	12 956 307	23 062	1.38%	4.20%
Aliança Seguros	11 383 895	22 654	12 177 816	21 677	-6.52%	3.64%
Fortaleza Seguros	8 881 940	17 675	8 869 232	15 787	0.14%	2.84%
Global Seguros	8 725 568	17 364	6 728 383	11 977	29.68%	2.79%
Protteja Seguros	8 663 019	17 239	9 036 051	16 084	-4.13%	2.77%
Stas Seguros	8 600 470	17 115	5 338 221	9 502	61.11%	2.75%
Liberty & Trevo	6 067 241	12 074	2 808 127	4 998	116.06%	1.94%
Tranquilidade Angola	5 066 459	10 082	4 448 517	7 918	13.89%	1.62%
Prudencial Seguros	4 503 519	8 962	5 366 024	9 552	-16.07%	1.44%
Sol Seguros	4 440 970	8 837	3 391 995	6 038	30.93%	1.42%
Giant Seguros	2 376 857	4 730	583 868	1 039	307.09%	0.76%
Royal Seguros	906 959	1 805	417 048	742	117.47%	0.29%
Triunfal Seguros	875 684	1 743	778 490	1 386	12.48%	0.28%
Confiança Seguros	156 372	311	222 426	396	-29.70%	0.05%
Super Seguros	31 274	62	-	-	-	0.01%
Total	**312 744 365**	**622 361**	**278 032 338**	**494 898**	**12.48%**	**100%**

[1] Evolution in local currency

Exchange rate as at 31/12/2022: 1 AOA= 0.00199 USD; at 31/12/2021: 1 AOA = 0.00178 USD

ANGOLA

• New Law on Insurance Mediation and Brokerage

n order to adapt it to the current state of the insurance market, the Insurance Mediation and Brokerage Law was now published.

AUTHORS


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More than two decades have passed since the approval of the first law regulating these matters. As a result, it has been necessary to redefine the legislation applicable to insurance mediation and brokerage in Angola in order to adapt it to the current state of the insurance market. This need resulted in the recent publication of Law 6/24 of 3 June - the Insurance Mediation and Brokerage Law ("LMCS"). The LMCS repeals Executive Decree 7/03 of 24 January and Executive Decree 465/16 of 1 December.

The new rules apply to the following entities:

- o Natural and legal persons authorised to access and conduct insurance and reinsurance intermediation and brokering activities in Angola;
- o Insurance and reinsurance companies;
- o With the necessary adaptations, micro-insurance companies and pension fund management companies authorised to access and carry out mediation activities in Angola;
- o With the necessary adaptations, non-resident entities authorised in their countries of origin to operate as intermediaries in their relations with insurance and reinsurance companies authorised to operate in Angola; and
- o Non-resident reinsurance intermediaries, provided they are authorised and subject to supervision in their home country by entities recognised by the Angolan Insurance Regulation and Supervision Agency ("ARSEG") and that they appoint a legal representative, whether a natural or legal person, with residence or registered office in Angola.

The LMCS also applies to natural or legal persons who, on the date of entry into force of this Law, are authorised to carry out the activity of insurance mediation in accordance with Executive Decree 7/03 of 24 January 2003 and its Regulations.

For the purposes of this Law, the registration to carry out the activity of mediation covers the activities of insurance mediation of: (i) life insurance contracts, including pension funds; (ii) non-life insurance contracts; (iii) insurance contracts of both classes; (iv) contracts for micro-insurance products; and (v) contracts for membership of micro-pension products.

Subject to prior notification to the Banco Nacional de Angola ("BNA") and registration with ARSEG, banking financial institutions are now authorised, under the LMCS and other legislation, to engage in the activity of insurance intermediation in any branch of insurance activity in the category of insurance agent.

However, and subject to other restrictions, banking financial institutions authorised to carry out insurance mediation activities are prohibited from imposing an obligation to take out an insurance contract with a particular insurance company, within or outside the group, as a condition for the client's access to another good or service provided.

With regard to the categories of intermediaries, the term "insurance intermediary" has been replaced by "insurance intermediary on an ancillary basis". These are any natural or legal persons, with the exception of financial institutions subject to the supervision of the BNA or investment companies, who, as an ancillary activity to their professional activity, carry out the activity of insurance mediation in the name and on behalf of one or more insurance companies or insurance intermediaries, under the terms of the contracts they have concluded with these entities as part of their main professional activity.

To promote healthy competition in the insurance market and reduce possible conflicts of interest, the activities listed below are now incompatible with the activity of insurance and reinsurance mediation for the insurance and reinsurance mediator. These incompatibilities apply to natural persons and, in the case of legal persons, to any member of their administrative or management bodies and the persons directly involved in the mediation activity. The incompatible activities are:

o Being members of the management bodies or employees of an insurance or reinsurance company or have a legal relationship similar to an employment relationship with such a company, unless they act as intermediaries for the insurance company or insurance group in question under the category "insurance intermediary on an ancillary basis";

o Being members of the organs or staff of ARSEG or have a legal relationship similar to an employment relationship with ARSEG;

o Performing management, settlement or expert claims functions or be a partner or member of the management body of a company that performs these functions;

o Performing duties as head of an insurance or reinsurance company; and

o Acting as an auditor for an insurance or reinsurance company or for an insurance or reinsurance intermediary.

The members of the management body designated as responsible for insurance or reinsurance mediation activities and the persons directly involved in mediation activities are also prevented from exercising these activities for more than one insurance or reinsurance intermediary, unless they belong to the same group and up to a maximum of three.

With regard to penalties, there has been a reduction in the measures applicable to offences committed, with fines ranging from AOA 50,000 (fifty thousand kwanzas) to AOA 50,000,000 (fifty million kwanzas) for offences committed by natural persons and AOA 100,000 (one hundred thousand kwanzas) to AOA 100,000,000 (one hundred million kwanzas) if committed by legal persons, depending on whether they are simple, serious or very serious administrative offences.

Legal entities already authorised to operate when the LMCS comes into force will have until the end of 2025 to adjust their corporate structure and ensure compliance with the other obligations set out in the law. In the case of the complaints management function, which is mandatory, insurance intermediaries have one year from the entry into force of the law to implement it.
The law entered into force on the day of its publication, 3 June 2024.

The content of this article is intended to provide a general guide to the subject matter. Specialist advice should be sought about your specific circumstances. ■

Source: Mondaq - 21 JUNE 2024

DR CONGO

- ***Insurance market grows to US$320m in 2023***

The Congolese insurance market posted total premiums of $320m in 2023, compared to a mere $70m in 2018, according to the director-general of the Insurance Regulatory and Control Authority in the DRC (ARCA), Alain Kanyinda. He indicated that the rapid growth of due to the liberalisation of the sector that took effect in 2018.

Mr Kanyinda made these comments during a presentation on the state of the insurance market in the DRC for the 2021 and 2022 financial years. The premium volume exceeded $268m in 2022.

He pointed out that South Africa accounted for around 70% of Africa's $74bn in gross written insurance premiums. Morocco, Algeria, Kenya, and Nigeria share 18% while other African countries including the DRC share the remaining 12%. The ARCA management team wants to set up a dynamic insurance sector with reliable operators.■

Source: Middle East Insurance Review - 28 July 2024

EGYPT

- ***Insurers to apply Egyptian Accounting Standard to insurance contracts starting in 2025***

The Financial Regulatory Authority (FRA) has announced its decision for insurance companies to apply Egyptian Accounting Standard (EAS) No 50 on insurance contracts, starting with financial statements for the year 2025.

In tandem with this move, the FRA has amended the financial year of insurance and reinsurance companies in the Egyptian market to begin on 1 January and end on 31 December of each year, reported Amwal Alghad. The new accounting period begins on 1 January 2025. Currently, the financial year is from 1 July to 30 June.

(Re)insurance companies are required to prepare transitional financial statements for the period from 1 July 2024 to 31 December 2024, with the financial statements to be reviewed and accompanied by a report from auditors, and approved by shareholders at the general assembly.

The FRA has also instructed insurance and reinsurance companies to prepare hypothetical financial statements to be used as comparative figures in EAS 50 statements next year.■

Source: Middle East Insurance Review - 15 Sep 2024

- ***New law on actuarial activities in Egypt***

The Unified Insurance Law, promulgated in July 2024, now authorizes the Financial Regulatory Authority (FRA) to grant licenses to actuarial companies.

The new legislation requires those wishing to establish an actuarial business to submit an application to the FRA, along with a feasibility study, the company's articles of association and registration in the Commercial Registry.

The minimum capital requirement for actuarial activities in the country is set at 3 million EGP (62 040 USD).■

Source: Atlas Magazine – 30 July 2024

GHANA

• *Insurance Market 2023*

Supervisory authority:
National Insurance Commission (NIC)
www.nicgh.org

Professional body:
Ghana Insurers Association
www.ghanainsurers.org.gh

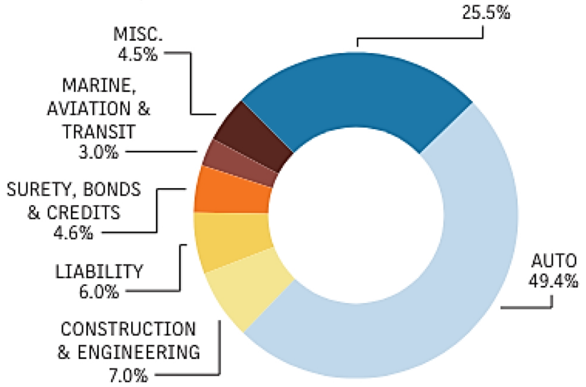
Re/Insurance companies
Non-life: 29
Life: 20
Reinsurance co: 3
Total: 52

Intermediaries
Ins brokers: 93
Reins brokers: 5
Total: 98

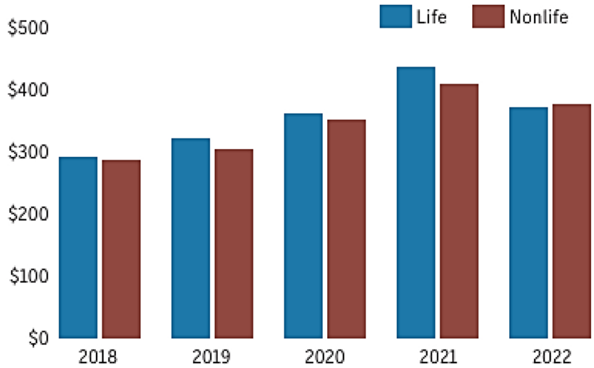
Main indicators 2022
Turnover: 615 US$mn
Penetration rate: 0.9%
Insurance density: 18 USD

Ghana is one of the larger insurance markets in West Africa. It is supervised by the National Insurance Commission, which has been one of Africa's more proactive and involved regulators. The NIC has ambitious goals for the industry and aims to develop market premium income. Greater enforcement of existing classes of compulsory insurance, plus some additional mandatory classes, is expected to encourage premium development. Strict enforcement of minimum premiums and limited intermediary commissions should also help by mitigating competition levels. The Insurance Act 2021 (Act 1061) aims to bring the regulation of Ghana's insurance industry into line with international supervision standards and increase its competitiveness on the international market. It is also meant to grow the insurance industry, strengthen corporate governance and increase insurance penetration.

MARKET SHARE



MARKET GROWTH In millions, U.S. dollars



Source: Axco Global Statistics/industry associations and regulatory bodies

Source: Business Insurance Magazine - June 2024

AREA
92,098
square miles

POPULATION
34.78
million

MARKET CONCENTRATION
50.38%
market share of top five insurers

2024 GDP CHANGE (PROJECTED)
2.8%
million

87
GLOBAL P/C MARKET RANKING

COMPULSORY INSURANCE

- Auto third-party bodily injury
- Professional indemnity for insurance brokers and loss adjusters
- Liability against oil pollution of Ghanaian waters by vessel owners
- Liability insurance for air carriers for injury to passengers and damage to baggage or goods during domestic and international journeys
- Liability insurance for clinical trials
- Shipowners liability for marine oil pollution (insurance or financial guarantee)

NONADMITTED

Nonadmitted insurance is not permitted in Ghana because the law requires it to be purchased from locally authorized insurers.

INTERMEDIARIES

Brokers or agents must be authorized to do insurance business. They are not allowed to place business with nonadmitted insurers unless given specific exemption by the National Insurance Commission.

MARKET PRACTICE

Market practice appears largely to conform to insurance legislation.

Source: Business Insurance Magazine - June 2024

GHANA

• Turnover per class of business in 2023

Figures in thousands

Class of business	2023 turnover		2022 turnover		2022-2023 evolution (1)	2023 shares
	GHS	USD	GHS	USD		
Motor	1 817 875	151 756	1 416 082	137 317	28.37%	22.55%
Property damage (2)	1 276 182	106 536	846 510	82 086	50.76%	15.83%
Engineering	287 605	24 009	194 916	18 901	47.55%	3.57%
Third party liability	277 117	23 134	217 457	21 087	27.44%	3.44%
Marine & aviation	214 741	17 926	147 015	14 256	46.07%	2.66%
Personal accident & health	158 216	13 208	109 516	10 620	44.47%	1.96%
Credit & surety insurance	155 367	12 970	136 962	13 281	13.44%	1.92%
Other risks	36 949	3 085	23 633	2 292	56.34%	0.46%
Non-life total	**4 224 052**	**352 624**	**3 092 091**	**299 840**	**36.61%**	**52.39%**
Universal Life and Investment Products (3)	1 726 295	144 111	1 451 588	140 760	18.92%	21.41%
Term	1 188 157	99 187	903 966	87 658	31.44%	14.74%
Group life	338 073	28 222	219 688	21 303	53.89%	4.19%
Whole life and endowment	307 106	25 637	221 053	21 435	38.93%	3.81%
Credit life	113 387	9 466	106 184	10 297	6.78%	1.41%
Other risks	165 697	13 833	147 786	14 331	12.12%	2.05%
Life total	**3 838 715**	**320 456**	**3 050 265**	**295 784**	**25.85%**	**47.61%**
Grand total	**8 062 767**	**673 080**	**6 142 356**	**595 624**	**31.27%**	**100%**

(1) Growth rate in local currency
(2) Including theft and fire
(3) Including investment products
Source: National Insurance Commission (NIC)

Exchange rate as at 31/12/2022 : 1 GHS = 0.08348 USD ; as at 31/12/2022 : 1 GHS = 0.09697 USD

Source: Atlas Magazine - 20/05/2024

• Non-Life Insurance companies in Ghana 2023: Ranking per turnover

Companies	2023 turnover		2022 turnover		2022-2023 evolution (1)	2023 shares
	GHS	USD	GHS	USD		
Enterprise Insurance	567 280	47 357	432 382	41 928	31.20%	7.04%
Star Assurance	434 121	36 241	231 232	22 423	87.74%	5.38%
SIC Insurance	428 540	35 775	370 524	35 930	15.66%	5.32%
Hollard Insurance Ghana	370 114	30 897	272 537	26 428	35.80%	4.59%
Glico General Insurance	353 802	29 535	252 145	24 450	40.32%	4.39%
Vanguard Assurance	278 036	23 210	213 351	20 689	30.32%	3.45%
Ghana Union Assurance	254 044	21 208	192 430	18 660	32.02%	3.15%
Activa International Insurance	215 084	17 955	164 575	15 959	30.69%	2.67%
Phoenix Insurance	150 334	12 550	99 030	9 603	51.81%	1.87%
Prime Insurance	118 812	9 918	86 684	8 406	37.06%	1.47%
Quality Insurance	118 389	9 883	85 503	8 291	38.46%	1.47%
Sunu Assurance	106 740	8 911	83 740	8 120	27.47%	1.32%
Sanlam Insurance Ghana	101 511	8 474	87 592	8 494	15.89%	1.26%
Provident Insurance	93 186	7 779	70 113	6 799	32.91%	1.16%
Serene Insurance	91 996	7 680	60 426	5 859	52.25%	1.14%
Donewell Insurance	81 616	6 813	63 176	6 126	29.19%	1.01%
Allianz Insurance	80 781	6 744	66 575	6 456	21.34%	1.00%
Imperial General Assurance	66 888	5 584	38 787	3 761	72.45%	0.83%
Priority Insurance	64 823	5 411	48 201	4 674	34.48%	0.80%
Millennium Insurance	56 310	4 701	38 649	3 748	45.70%	0.70%
Coronation Insurance Ghana	55 758	4 655	32 199	3 122	73.17%	0.69%
Loyalty Insurance	50 265	4 196	30 356	2 943	65.59%	0.62%
Unique Insurance	43 545	3 635	32 007	3 104	36.05%	0.54%
NSIA Ghana Insurance	35 613	2 973	29 057	2 818	22.56%	0.44%
Bedrock Insurance	5 920	494	1 994	193	196.89%	0.07%
Best Assurance	544	45	8 826	856	-93.84%	0.01%
Non-life total	**4 224 052**	**352 624**	**3 092 091**	**299 840**	**36.61%**	**52.39%**

(1) Growth rate in local currency

Source: Atlas Magazine - 21/05/2024

MARKET DEVELOPMENTS Updated April 2024

- Competition in the insurance market has moderated since the introduction of minimum premiums and maximum intermediary commissions, together with penalties for failure to comply.
- There was a significant shift in the pattern of life distribution in 2020 with the inability to have face-to-face meetings during the COVID-19 pandemic. The amount of business placed on a direct basis increased from 13% in 2019 to 30% the following year, with agency business falling from 61% to 42%. The same pattern has not been seen in the nonlife market where 43% is placed through brokers, 30% through agents, and 22% remains on a direct basis.
- In May 2022, the National Insurance Commission issued a statement concerning plans to introduce regulations to guide the operations of technology-based insurance startups in the country. Insurance companies in Ghana are being urged to partner with insurtechs to help transform the delivery of insurance services in the country. The Insurance Act 2021 (Act 1061) contains provisions for the operation of insurtechs in the country, but more comprehensive regulations have yet to be finalized.

• *Ghana implements risk-based capital system for life insurers*

The National Insurance Commission (NIC) is currently working on implementing a Risk-Based Capital (RBC) solvency model for life insurance companies.

This initiative is intended to measure the minimum capital an insurance company must have to operate successfully.

The NIC is also planning other initiatives aimed at improving the Ghanaian life insurance sector, such as the development of a mortality table specific to the local market and an actuarial capacity-building program. ■

Source: Atlas Magazine – 29 July 2024

NIGERIA

- ***Nigerian insurance market in 2023***

2023 Insurance market main indicators

Turnover	1.114 billion USD
Penetration rate	0.34%
Insurance density	7.41 USD

Insurance and reinsurance companies

Composite companies	12
Non-life	27
Life	13
Takaful	4
Microinsurance	8
Reinsurance companies	3
Total	67

Premium Evolution 2023

Figures in million

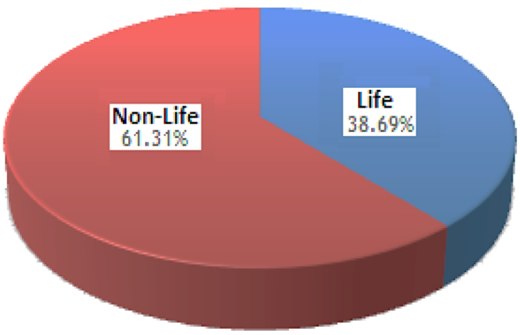
Branches	2023 turnover		2022 turnover		2022-2023 evolution (1)	2023 shares
	NGN	USD	NGN	USD		
Energy	167 800 000	186 258	125 700 000	280 311	33.49%	16.73%
Fire	148 000 000	164 280	92 600 000	206 498	59.83%	14.75%
Motor	114 900 000	127 539	62 200 000	138 706	84.73%	11.45%
Marine	69 100 000	76 701	51 000 000	113 730	35.49%	6.89%
Accident	59 000 000	65 490	46 100 000	102 803	27.98%	5.88%
Miscellaneous risks	56 300 000	62 493	39 500 000	88 085	42.53%	5.61%
Non-life total	615 100 000	682 761	417 100 000	930 133	47.47%	61.31%
Life total	388 100 000	430 791	309 100 000	689 293	25.56%	38.69%
Grand total	1 003 200 000	1 113 552	726 200 000	1 619 426	38.14%	100%

(1) Growth rate in local currency

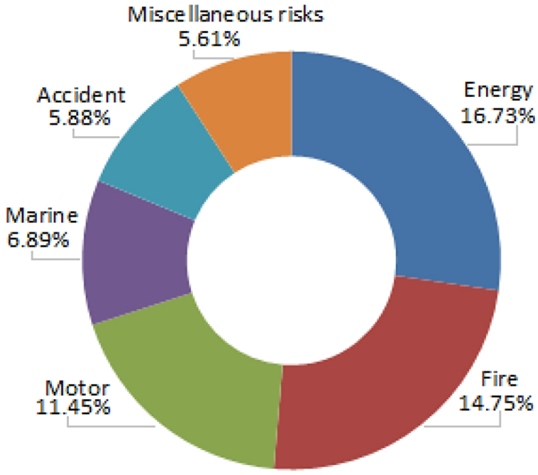
Sources: National Insurance Commission (NAICOM)

Exchange rate as at 31/12/2023 : 1 NGN = 0.00111 USD ; as at 31/12/2022 : 1 NGN = 0.00223 USI

2023 Breakdown of Life & Non-Life Premiums (%)



2023 Breakdown of Non-Life Branches (%)



- ***2023 Top 10 insurance companies***

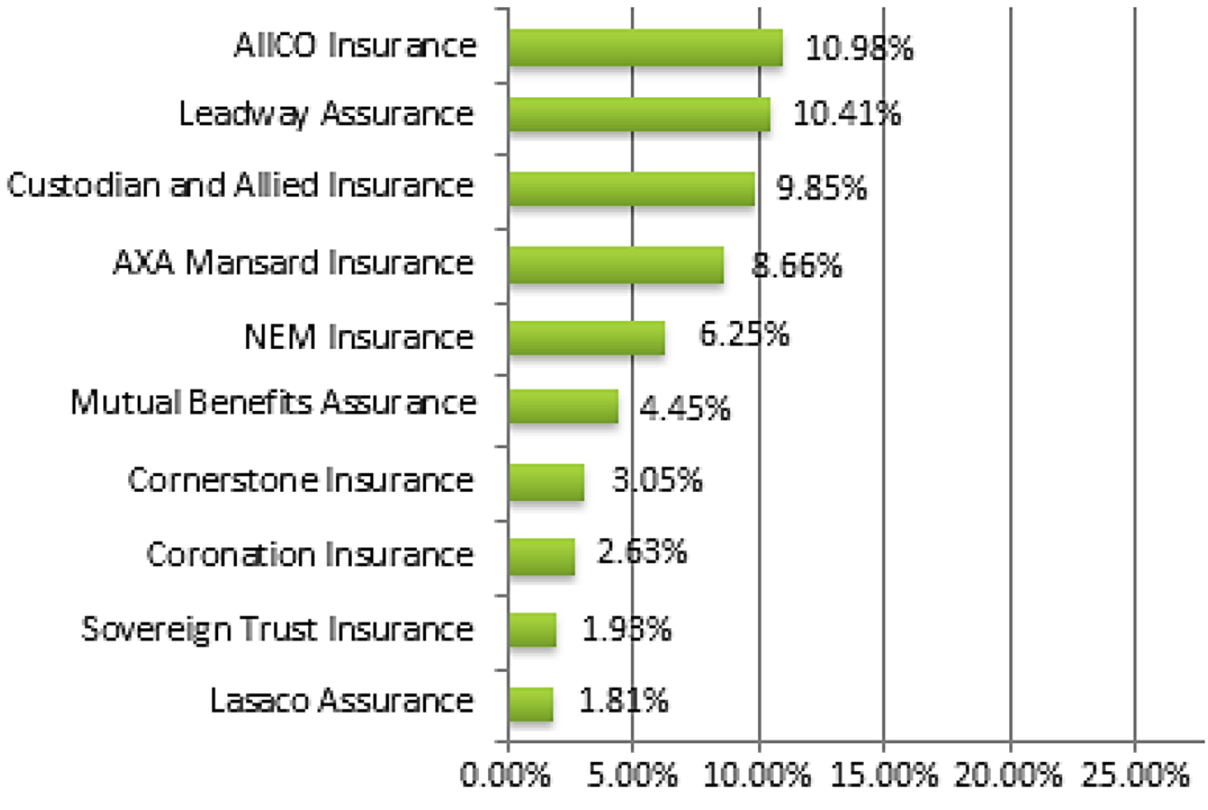
Figures in thousands

Rank	Companies	2023 turnover		2022 turnover		2022-2023 evolution (1)	2023 shares
		NGN	USD	NGN	USD		
1	AIICO Insurance	110 119 382	122 233	88 275 920	196 855	24.74%	10.98%
2	Leadway Assurance	104 400 000	115 884	92 529 579	206 341	12.83%	10.41%
3	Custodian and Allied Insurance	98 840 784	109 713	84 416 502	188 249	17.09%	9.85%
4	AXA Mansard Insurance	86 847 270	96 400	68 980 045	153 825	25.90%	8.66%
5	NEM Insurance	62 708 320	69 606	33 369 050	74 413	87.92%	6.25%
6	Mutual Benefits Assurance	44 579 730	49 483	33 481 296	74 663	33.15%	4.45%
7	Cornerstone Insurance	30 626 889	33 996	22 246 121	49 609	37.67%	3.05%
8	Coronation Insurance	26 409 637	29 315	19 835 299	44 233	33.14%	2.63%
9	Sovereign Trust Insurance	19 319 200	21 444	15 194 428	33 884	27.15%	1.93%
10	Lasaco Assurance	18 181 820	20 182	13 908 476	31 016	30.72%	1.81%
	Total	**602 033 032**	**668 256**	**472 236 716**	**1 053 088**	**27.49%**	**60.02%**
	Rest of the market (2)	401 166 968	445 296	253 963 284	566 338	57.96%	39.98%
	Grand total	**1 003 200 000**	**1 113 552**	**726 200 000**	**1 619 426**	**38.14%**	**100%**

(1) Growth rate in local currency (2) 57 companies

Exchange rate
as at 31 December 2023: 1 NGN = 0.00111 USD ; as at 31 December 2022: 1 NGN = 0.00223 USD
Sources : Companies Reports

- ***2023 Top 10 insurance companies***



UGANDA

- *Insurance Market in 2023*

Identity

Population: 47 249 585 inhabitants
PIB : 45,56 billion USD
GDP per inhabitant: 964,2 USD
GDP growth rate: 4.7%
Inflation rate: 7.2%

Data as of 31/12/2022, Source: World Bank

Structure of the ugandan insurance market

Insurance and reinsurance companies	
Non-life	22
Life	9
Reinsurance	2
Total	33
Intermediaries	
Insurance brokers	46
Reinsurance brokers	3
Total	49

Data as of 31/12/2021 , Source: Insurance Regularity Authority of Uganda (IRA)

Supervisory authority	
Insurance Regularity Authority of Uganda (IRA)	www.ira.go.ke
Professional body	
Uganda Insurers Association	www.uia.co.ug

The ugandan insurance market: Turnover per class of business

Figures in thousands

Class of business	2023 turnover		2022 turnover (1)		2022-2023 evolution (2)	2023 shares
	UGX	USD	UGX	USD		
Health	204 781 631	53 243	196 140 150	52 958	4.41%	13.29%
Motor	200 437 164	52 114	177 435 295	47 907	12.96%	13.01%
Fire	151 098 881	39 286	128 711 138	34 752	17.39%	9.81%
Personal accident	68 454 437	17 798	61 800 251	16 686	10.77%	4.44%
Marine and aviation	64 893 893	16 872	56 532 208	15 264	14.79%	4.21%
Engineering	59 861 184	15 564	91 677 077	24 753	-34.70%	3.88%
Third party liability	37 444 633	9 736	34 180 119	9 229	9.55%	2.43%
Theft	22 838 839	5 938	26 344 302	7 113	-13.31%	1.48%
Bond	19 465 806	5 061	16 509 605	4 457	17.91%	1.26%
Workmen's compensation	16 448 633	4 277	14 181 828	3 829	15.98%	1.07%
Miscellaneous risks	88 763 554	23 078	94 585 857	25 538	-6.16%	5.76%
Non-life total	934 488 655	242 967	898 097 830	242 486	4.05%	60.64%
Life total	606 635 395	157 725	501 622 323	135 438	20.93%	39.36%
Grand total	1 541 124 050	400 692	1 399 720 153	377 924	10.10%	100%

(1) Figures updated in 2022 (2) Growth rate in local currency
Exchange rate 31/12/2023: 1 UGX = 0.00026 USD ; at 31/12/2022:1UGX= 0.00027 USD

• *Ugandan insurance market: 2023 results*

According to the Insurance Regulatory Authority of Uganda, the local insurance market turnover reached 1 600 billion UGX (421 million USD) in 2023. The premium volume was up by 11% compared with the 1 440 billion UGX recorded in 2022.

932 billion UGX (245.2 million USD) of this amount was generated by the non-life business, while 611.4 billion UGX (160.9 million USD) was attributable to the life activity.

Health maintenance organizations (HMOs) posted written premiums of 56.3 billion UGX (14.8 million USD) in 2023.

Microinsurance accounted for 0.04% of the overall turnover, or 707 million UGX (186,000 USD).
Claims paid out by insurance companies amounted to 820.47 billion UGX (215.9 million USD) in 2023, against 618.71 billion UGX (165.6 million USD) in 2022 and 564.82 billion UGX (151.2 million USD) in 2021.

Source: Atlas Magazine – 12 July 2024

• *Banks to add 160 branches to provide bancaasurance*

Bancassurance now contributes at least 9.9 percent to gross insurance sector written premiums

Insurance Regulatory Authority (IRA) says the number of bank branches offering bancassurance services will increase by 161 by 2026. The increase will, therefore, raise the number of branches from 401 to 562.

Bancassurance, which is a collaboration between banks and insurance service providers to increase insurance uptake, was implemented seven years ago and has since grown to become one of the most influential innovations in the financial services market.

The service allows insurers to sell products to banking customers, which mutually rewards partner financial institutions through earning a commission on every sold policy.

Speaking at the Inaugural Bancassurance Thought Leaders Forum in Kampala at the weekend, Mr Ibrahim Lubega Kaddunabbi, the IRA chief executive officer, said bancassurance has steadily grown, providing a window through which banks and insurance companies can mutually benefit from a shared service.

"Currently there are 401 bank branches providing bancassurance. This number will grow to 562 bank branches by 2026," he said, noting that in 2023, Shs179.5b worth of gross written premium was booked through bancassurance despite existing challenges in the regulatory landscape and knowledge gap.

Ms Martha Aheebwa, the Uganda Bankers' Association bancassurance technical committee chairperson, said the first bancassurance license was issued in 2017, but 19 licenses have since been issued, thus supporting the growth of bancassurance gross written premium from Shs83.3b in 2020 to Shs179.5b, with bancassurance accounting for 9.9 percent of the gross insurance sector written premiums.

Ms Aheebwa further indicated that an IRA HR Study indicates that bancassurance employs 426, noting that the Inaugural Bancassurance Forum presents a good opportunity for stakeholders to take stock of the contribution of bancassurance to the sector growth including challenges and successes.

Dr Tumubweinee Twinemanzi, the Bank of Uganda executive director for supervision, said bancassurance provides diversification of income for banks and supports them in providing proactive services. ■

Source: Daily Monitor - 29 July 2024

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Asia News

ASIA-PACIFIC

- ***APAC property insurance industry to surpass $152 billion by 2028,* forecasts GlobalData**

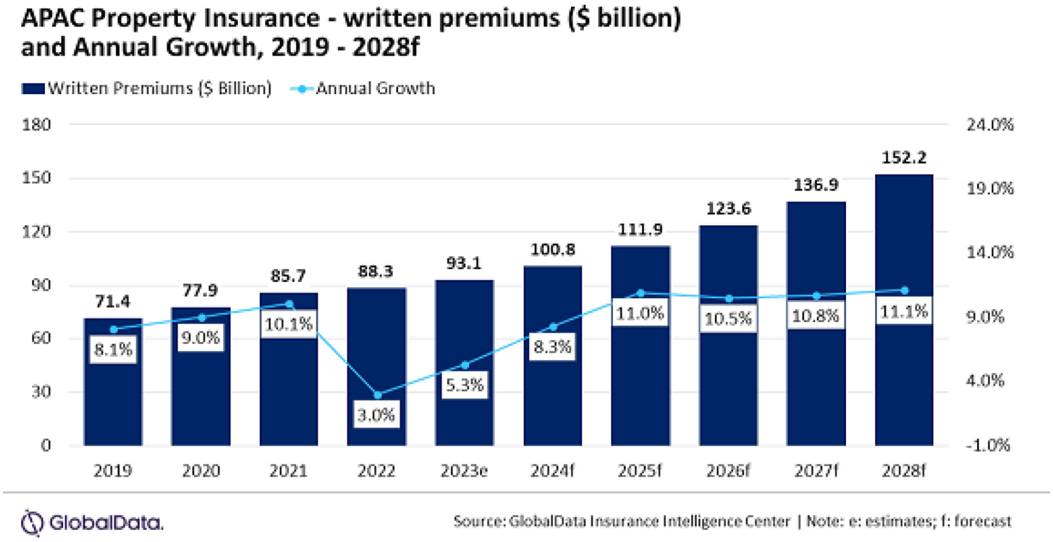
The property insurance industry in the Asia-Pacific (APAC) region is projected to grow at a compound annual growth rate (CAGR) of 10.8% from an estimated $93.1 billion in 2023 to $152.2 billion in 2028, in terms of written premiums, according to GlobalData, a leading data and analytics company.

According to GlobalData's latest report, "*Property Insurance Market Trends and Analysis by Region, Line Of Business, Competitive Landscape and Forecast to 2028*", the growth in the APAC property insurance industry is expected to outpace the global average, which is projected to record a CAGR of 8.1% over 2024–28.

Property insurance in APAC is concentrated among the top three markets – China, Japan, and Australia, which are estimated to account for a collective share of 75.2% of the region's written premiums in 2024. China is expected to lead the property insurance market in APAC, accounting for 36% of the written premiums in 2024, followed by Japan with 23.5% and Australia with a 15.7% share of written premiums.

Aarti Sharma, Insurance Analyst at GlobalData, comments: "The APAC property insurance market is poised for significant growth of 8.3% in 2024, driven by disciplined underwriting practices and a rise in premiums for fire and home multi-risk property insurance classes. Favorable regulatory changes and the adoption of advanced technologies such as artificial intelligence (AI) and machine learning (ML) in risk assessment and streamlining the claims process will further fuel the growth of the industry."

In 2024, the fire and home multi-risk property insurance segments are expected to dominate the property insurance market in APAC due to a surge in natural catastrophic (nat-cat) events.
As per the Insurance Council of Australia (ICA), a severe storm in New South Wales and Queensland in April 2024 registered 19,938 claims with an economic loss of AUD280.3 million ($182.4 million), and the Valentine's Day storm in Victoria in February 2024 registered more than 27,000 claims with an economic loss of AUD214.8 million ($139.8 million).



Furthermore, worsening losses from natural hazards led the General Insurance Rating Organization of Japan to raise reference rates (benchmark rate) for fire insurance by an average of 5.5% in 2018 to 13% in 2023.

Sharma adds: "The increasing demand for fire and home multi-risk policies can be attributed to the growing awareness of the financial risks of natural disasters and the need for comprehensive coverage. Insurers' capacity is expected to be limited for loss-making risks and nat-cat exposures due to high reinsurance costs and poor loss ratio performance."

APAC property insurance growth will also be supported by the adoption of Generative AI and ML in sales, risk modeling, and customer engagement. Risk assessment through advanced analytics provides crucial data insights that identify high-risk areas and aid in risk management and mitigation.

Sharma continues: "Data analysis using AI is helping insurers generate sales leads. Virtual assistants and chatbots are guiding customers through the buying process and helping to interact with customers, offering information on policies and claims status, leading to higher efficiency."

Favorable regulatory changes are also shaping the property insurance landscape in APAC. In April 2024, China's National Financial Supervisory Authority (NFSA) issued guidance to promote the high-quality development of green insurance, reinforcing the role of insurance in supporting environmental protection and eco-friendly consumption.

In May 2024, the Commonwealth Government of Australia announced additional funding in its 2022–25 budget to ICA, aimed at enhancing Australia's disaster preparedness and resilience. The additional funds will enable mitigating risks to homes and communities, which could help alleviate rising insurance costs driven by increased disaster expenses, inflation, and global reinsurance rates.

Sharma concludes: "Premium price increases in fire and home multi-risk due to increased reinsurance costs and exposure to nat-cat events will support the growth of property insurance in APAC over the next five years. Insurers will need to adapt to the changing dynamics of AI and ML and focus on portfolio adjustments to limit high-severity loss exposure while maintaining profitability." ■

GlobalData - 19 July 2024

• *Composite insurance rates fall, led by property, financial & professional lines*

Composite insurance rates in the Pacific region, comprising mainly the Australian market, declined by 5% in the second quarter of 2024, after falling by 2% in 1Q2024, according to the "Global Insurance Market Index" published by the world's biggest insurance broking group Marsh.

In comparison, global composite insurance rates were flat in 2Q2024, following a 1% increase in 1Q2024.

The Index is a proprietary measure of global commercial insurance premium pricing change at renewal, representing the world's major insurance markets and comprising nearly 90% of Marsh's premium. The report outlines the changes in pricing for major branches of business.

Property rates decline

Property insurance rates in the Pacific declined by 4% in 2Q2024, after staying flat in the previous two quarters.

- Long-term agreements (LTAs) were being offered to some clients; some included reductions in year two.
- Small-to-medium sized property clients generally attracted less competition, with rates ranging from no change to 5% increase, on average.

Claims-impacted and catastrophe (CAT)-exposed accounts typically continued to experience rate increases.

Casualty rates nearly flat

Casualty insurance rates in the Pacific market rose by 1% in 2Q2024, after rising by 3% in the first quarter.

- Capacity and competition increased from new and existing markets.
- Underwriting scrutiny continued, particularly in areas such as contractor injury, US exposures, per- and polyfluoroalkyl substances (PFAS), and environmental, social, and governance (ESG).
- Insurers continued to monitor potential claims inflation from litigation trends, including worker/contractor injury claims in Australia that affected back years, particularly for insurers on mining and construction risks.

Financial and professional lines rates decline

Financial and professional lines rates dropped by 12% in 2Q2024, the fifth quarter of decline.

- New market entrants contributed to an increase in capacity and competition.
- Rates for directors and officers (D&O) liability declined in the 15% to 20% range, on average.
- Financial and professional lines rates decreased, but not uniformly across the various product classes.
- Long-term agreements (LTAs) were offered to some clients.

Cybersecurity controls remain a key to rates

Cyber insurance rates declined by 5%.

- Improved competition from insurers generally led to more coverage and retention options for clients, including increased limits, decreased retentions, and improved pricing for maintaining a similar policy structure.
- Insurers' focus areas included supply chain risk, dynamic privacy regulations, and ransomware.
- Cyber physical damage cover was an area of increased interest for clients.
- Cyber limit quantification is increasingly seen as valuable in understanding an organization's cyber risk exposures. ■

Asia Insurance Review - 26 Jul 2024

• *Only 22% of natural disaster losses in Asia Pacific, Africa insured*

Total losses from natural disasters amounted to $40b.

Over a third of the world's natural disaster losses in the first half of 2024 came from Asia Pacific (APAC) and Africa, causing $40b in total losses and only $9b insured.

These figures exceed the 10-year averages of $29b in total losses and $4.1b in insured losses, Munich Re revealed.

A magnitude 7.3 earthquake in Taiwan in April caused $4.6b in losses, with only $0.8b insured. Heavy rainfall and flooding in Guangdong, China, led to at least $5b in losses, most of which were uninsured.

Flooding in East Africa from monsoon rains and tropical cyclones Hidaya and Ialy resulted in 283 deaths and forced nearly half a million people to flee.

Torrential rains in the United Arab Emirates and Oman in April caused $8.3b in losses, including $2.8b insured.

Global losses in the first half of 2024 totalled $120b, down from $140b in 2023, a year marked by the severe earthquake in Turkey and Syria.

Despite the decrease, the 2024 losses were still above the average for the past 10 and 30 years.

Insured losses rose slightly to $60b, well above the adjusted 10- and 30-year averages of $37b and $24b, respectively.

Notably, 68% of total losses and 76% of insured losses were due to "non-peak perils" such as severe thunderstorms, flooding, and wildfires.

The costliest disaster was a magnitude 7.5 earthquake in Japan on New Year's Day, which caused $10b in total losses, including $2b in insured losses. Despite Japan's preparedness with earthquake-resistant construction and advanced early-warning systems, over 200 people were killed.

Global temperatures from January to June were about 1.5°C higher than preindustrial levels, with record-breaking highs reported worldwide.

Temperatures exceeded 50°C in parts of Saudi Arabia, while New Delhi saw a record 49.9°C in May. NOAA predicts a 60% chance that 2024 will be the warmest year on record.

Heatwaves and droughts increased the likelihood of wildfires, such as the one in Texas that burned over 400,000 hectares, and massive fires in western Canada in May, which led to large-scale evacuations but limited financial losses due to their location. ■

Source: Asian Business Review - 5 August 2024

HONG KONG

• *Profile*

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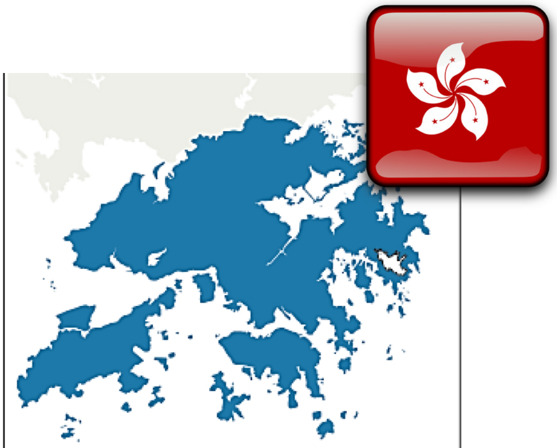
GLOBAL P/C MARKET RANKING

Hong Kong is a special administrative region of the People's Republic of China, and under the "one country, two systems" model, the territory has its own insurance regulatory system and has retained its U.K. common law inheritance. It is the most litigious society in Asia, and its insurance market has a large element of long-tail liability lines. Although Hong Kong's domestic insurance market is quite small, its open economy and geographical proximity to China have attracted many of the world's leading insurers, reinsurers and brokers. Apart from government-financed infrastructure projects, there is an acute shortage of new insurance business and competition is fierce. And while the government is promoting the territory as a center for marine services, risk management and captives, this has yet to generate significant returns.



AREA

428
square miles

POPULATION

7.5
million

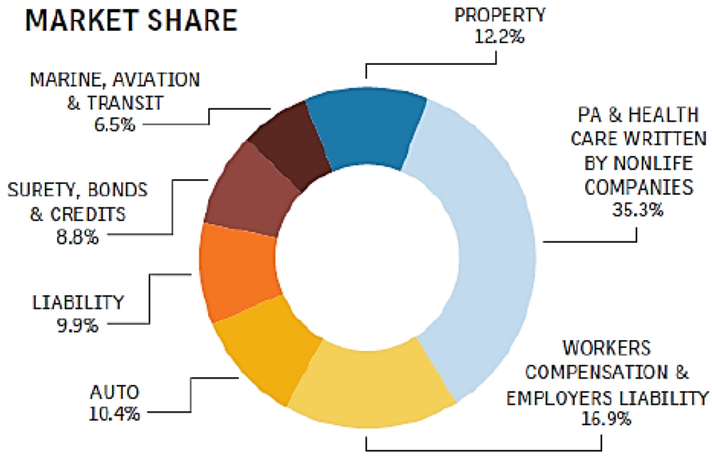
MARKET CONCENTRATION

33.3%
market share of top five insurers

2024 GDP CHANGE (PROJECTED)

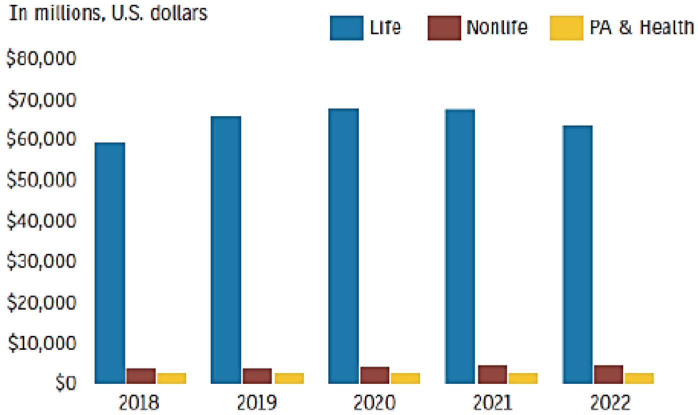
3%

MARKET SHARE



MARKET GROWTH

In millions, U.S. dollars



Source: Axco Global Statistics/industry associations and regulatory bodies

COMPULSORY INSURANCE

- Auto third-party bodily injury
- Employees compensation (Hong Kong equivalent of workers compensation/employers liability)
- Professional liability for insurance brokers
- Liability insurance for air carriers for injury to passengers and damage to baggage or goods during domestic and international journeys
- Directors and officers liability for Hong Kong Stock Exchange-listed companies
- Shipowners liability against marine oil pollution (financial guarantee or insurance)

NONADMITTED

Unlicensed insurers are not allowed to carry on insurance business in Hong Kong. At the same time, the law does not indicate that insurance must be purchased from locally licensed insurers, apart from some compulsory classes. This is generally interpreted to mean that insurers can issue certain types of policies from abroad if approached by an insurance buyer or an intermediary.

INTERMEDIARIES

A person may not "carry on a regulated activity" — that is, sell insurance or give insurance advice — without being licensed by the Hong Kong Insurance Authority.

MARKET PRACTICE

Although multinational corporations have the option to insure their Hong Kong operations directly with their global program insurers or captives, most multinational subsidiaries are insured under local policies or fronting policies.

HONG KONG

MARKET DEVELOPMENTS Updated June 2024

- Due to the multiple negative effects of COVID-19, the Hong Kong insurance market grew by under 4% a year in 2021-22. According to preliminary figures for the first three quarters of 2023, nonlife premiums increased by 5.4% year over year. Auto and property grew by around 7% each, reflecting the resumption of more normal economic conditions. Although payrolls are increasing, the return of competition to the employees compensation market kept premium growth to a modest 3.2%. Excessive competition for financial lines caused the general liability account to shrink by 3.2%.
- Most observers are pessimistic about growth prospects for 2024. Hong Kong lost some of its status as a hub for multinational business headquarters during its three-year COVID-19 quarantine and has failed to regain its position as a tourism destination since pandemic restrictions were lifted. In addition, some of its expatriate and resident business talent has emigrated to avoid subjection to Chinese rule. Business conditions are therefore weak.
- On July 6, 2023, the Legislative Council amended the Insurance Ordinance to provide the framework for Hong Kong's new risk-based capital system. The law also empowered the Insurance Authority to issue regulations dealing with matters such as capital levels, financial reporting and valuation standards for assets and liabilities.
- Although Hong Kong has been working for many years to introduce a policyholders protection scheme, this has taken second place to more urgent regulatory reforms.

Source BUSINESS INSURANCE SEPTEMBER 2024

• *RBC regime commences for Hong Kong insurance industry*

New regime "will strengthen the financial soundness of insurers," IA says

By Grant Funtila

The Risk-based Capital (RBC) regime for the Hong Kong insurance industry started operation on Monday following the commencement of the Insurance (Amendment) Ordinance 2023.

"The introduction of the RBC regime will strengthen the financial soundness of insurers in Hong Kong by taking a modular approach for an assessment more sensitive to each insurer's risk profile while providing closer alignment with international standards. Its implementation marks a significant milestone for the insurance industry, enhancing protection for policy holders and solidifying Hong Kong's role as a global insurance hub," said a spokesperson for the Hong Kong Insurance Authority (IA).

The amendment bill also has new definitions of "majority shareholder controller" and "minority shareholder controller."

A majority shareholder controller of an authorized insurer is a person who, alone or with an associate (as defined in the Insurance Ordinance) or through a nominee, can exercise or control the exercise of 50% or more of the voting power at a general meeting of the insurer.

A minority shareholder controller of an authorized insurer is a person who is entitled to exercise or control the exercise of 15% to 50% of the voting power at a general meeting of the insurer.

Both shareholders require prior IA approval before becoming majority or majority shareholders.

IA has engaged with industry stakeholders in developing the subsidiary legislation and relevant guidelines since the enactment of the Insurance (Amendment) Bill 2023, which provides the legal framework for the RBC regime. The IA will continue maintaining communication with the industry in implementing the new regime. ■

Source: Insurance Business Magazine - 2 July 2024

INDIA

- ***Indian insurers cut crop insurance in FY24 despite government expansion efforts***

Drop in premium income from leading insurer cited as major factor

By Roxanne Libatique

In FY24, general insurance companies in India have reduced their exposure to crop insurance under the Pradhan Mantri Fasal Bima Yojana (PMFBY), even as the government pushed to increase coverage in the agricultural sector.

The gross direct premium underwritten by insurers fell by 4.17% to Rs 30,677 crore during the fiscal year, down from Rs 32,011 crore the previous year, according to a report by The Indian Express. This decline occurred despite farmers facing significant crop losses due to adverse weather conditions, including floods, unseasonal rains, and heatwaves.

In the prior fiscal year (FY23), crop insurance premiums had increased by 8.66%, reaching Rs 29,465 crore.

Major factor contributing to crop insurance coverage declines in India

A major contributor to the decline was the 32% reduction in premium income underwritten by the state-owned Agriculture Insurance Company (AIC), which dropped to Rs 9,890 crore in FY24 from Rs 14,619 crore the previous year, according to data from the General Insurance Council of India.

AIC, the leading crop insurer in the country, along with three other government-controlled insurers – New India Assurance, Oriental Insurance, and SBI General – scaled back their exposure to crop insurance during FY24, The Indian Express reported.

Notably, AIC paid out claims amounting to Rs 12,353 crore under PMFBY in the same period.

Oriental Insurance Company significantly reduced its crop insurance exposure to Rs 8.94 crore in FY24 from Rs 1,752 crore the previous year. SBI General Insurance also cut back on its exposure. New India Assurance Company, the largest insurer in the country, reported a negative premium underwritten of Rs 34.41 crore, compared to Rs 11.38 crore in the previous year.

“Four insurers controlled by the government directly or indirectly reported a decline in crop insurance coverage. The farm sector is a vital sector of the economy. Public sector entities should have been in the forefront of providing cover to the farmers who are facing the risk of losses due to floods, heatwaves, and unseasonal rains,” said an insurance firm official, as reported by The Indian Express.

How the PMFBY scheme helps farmers in India

The Indian Express's report noted that the PMFBY scheme, integrated with multiple stakeholders on a single platform, covered nearly 4 crore farmers and more than 50 different crops in FY24. Over 55% of the insured farmers were non-loanee farmers, primarily enrolled through common service centres (CSCs).

PMFBY offers comprehensive insurance coverage against crop failure, stabilising farmers' income and promoting the adoption of innovative practices.

The scheme is mandatory for loanee farmers with crop loans or kisan credit card (KCC) accounts for notified crops, and voluntary for other farmers with insurable interest. The maximum premium payable by farmers is 2% for Kharif food and oilseed crops, 1.5% for Rabi food and oilseed crops, and 5% for annual commercial or horticultural crops.

India's Ministry of Agriculture and Farmer Welfare launches AIDE

To extend PMFBY coverage, the Ministry of Agriculture and Farmer Welfare launched the App for Intermediary Enrolment (AIDE) last year, enabling intermediaries to enroll non-loanee farmers starting Kharif 2023.

This initiative, involving insurance brokers, resulted in 71% of farmer enrolments through Point of Salespersons (PoSPs), totalling 6.88 lakh farmer applications covering over 4.15 lakh hectares across 11 states and 12 insurers, according to the ministry.

"Utilising such extensive network of over 12 lakh PoSPs via insurance brokers offers a substantial opportunity to increase non-loanee farmer enrolments. This strategy significantly enhances the enrolment of non-loanee farmers while simultaneously expanding their access to a diverse range of retail insurance products," the ministry said, as reported by The Indian Express.

In other news from India, the government is considering reassessing foreign direct investment (FDI) limits to insurance. ■

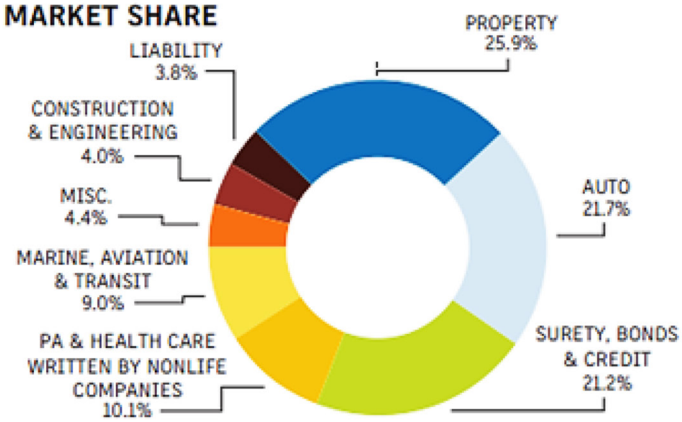
Source: Insurance Business Magazine – 10 July 2024

INDONESIA

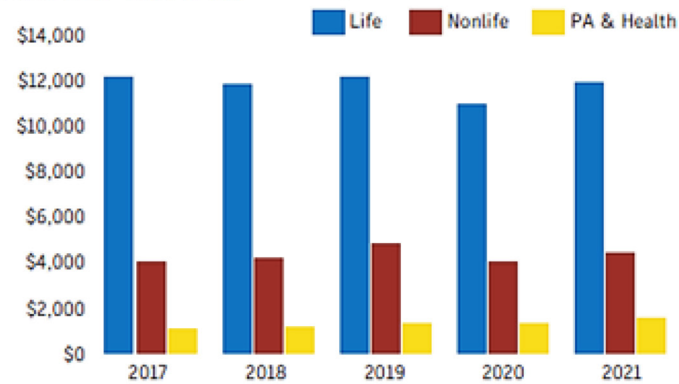
- ***Insurance Market Profile***

Given its large and increasingly affluent population, combined with relatively low levels of insurance penetration, Indonesia remains an attractive destination for foreign insurers and brokers, many of which foresee attractive future growth potential. This now looks to be a longer-term aspiration in light of the COVID-19 pandemic, particularly in terms of its impact on planned infrastructure projects. The implementation of the first stage of a natural disaster risk-financing scheme for government-owned assets should stimulate growth in the sector, although it is possible that this may be constrained by the government's revised spending priorities, again due to the economic impact of the pandemic. On the regulatory front, it will be interesting to see whether the provisions of a regulation related to the compulsory acquisition of financially distressed non-bank financial institutions are actually enforced.

MARKET SHARE



MARKET GROWTH In millions, U.S. dollars



Source: Axco Global Statistics/industry associations and regulatory bodies

AREA
735,358
square miles

POPULATION
281.6
million

MARKET CONCENTRATION
34.75%
market share of top five insurers

2024 GDP CHANGE (PROJECTED)
4.96%

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GLOBAL P/C MARKET RANKING

INDONESIA

- *Insurance Market Profile*

COMPULSORY INSURANCE

- Personal accident insurance for road, rail, sea and air transport passengers (state fund)
- Workers compensation (state program)
- Professional liability coverage for insurance and reinsurance brokers
- Hull and liability insurance for aircraft operators
- Liability insurance for licensed drones
- Shipowners liability for marine oil pollution (financial guarantee or insurance).

NONADMITTED

Nonadmitted insurance is generally not permitted in Indonesia because the law provides that insurance must be purchased from locally authorized insurers, with some exceptions.

INTERMEDIARIES

Brokers and agents are required to be locally licensed to do insurance business. Unregistered brokers are not allowed to canvass for business in Indonesia.

MARKET PRACTICE

Primary liability insurance and statutory coverages are customarily arranged in Indonesia. The regulatory authority will allow dispensation from the primary regulations only if it can be shown that no company in Indonesia has the capacity or the desire to accept such risks.

MARKET DEVELOPMENTS Updated June 2024

- Nonlife premium income totaled IDR 81.60 trillion ($5.57 billion) in 2022, including personal accident and health care written by nonlife insurers of IDR 8.23 trillion.
- In December 2023, it was reported that the Financial Services Authority – Otoritas Jasa Keuangan, or OJK – had issued a regulation concerning the minimum paid-up capital required of conventional and sharia insurance and reinsurance companies. The minimum capital requirement will increase in a phased approach, with the first deadline being Dec. 31, 2026.
- In August 2021, it was announced that the Indonesian government had set up a disaster risk pooling facility, initially backed by a $500 million loan from the World Bank, while opening up the possibility of enabling transfer of the country's catastrophe risk to the capital markets. The government's target was to have a sovereign risk transfer or disaster insurance structure in place this year.
- In September 2020, the OJK issued a regulation that requires insurers to set up a risk committee to oversee their risk management strategy and policy, and also a risk management unit separated from their business process and operational teams.
- In June 2020, the OJK issued a controversial regulation allowing it to order a financially strong non-bank financial institution to merge, consolidate, acquire or integrate with a financially distressed peer NFBI.
- Also in June 2020, a regulation was approved allowing insurance and sharia insurance companies to store their data and locate their disaster centers offshore, subject to government approval.

Source: Business Insurance Magazine – July/August 2024

• *Indonesia Legal Update: New OJK Regulation On Insurance Products And Marketing*

by Fitriana Mahiddin - SSEK Law Firm

A new Indonesian Financial Services Authority (Otoritas Jasa Keuangan or "OJK") regulation set to come into effect shortly will affect the products and marketing of insurance companies in Indonesia.

A new Indonesian Financial Services Authority (Otoritas Jasa Keuangan or "OJK") regulation set to come into effect shortly will affect the products and marketing of insurance companies in Indonesia.
OJK Regulation No. 8 of 2024 regarding Insurance Products and Marketing Channels for Insurance Products ("OJK Reg. 8/2024") was stipulated on April 25, 2024, and will come into force on October 29, 2024.

We highlight some key points that should be considered by insurance companies in Indonesia:

Marketing of Certain Insurance Products Exempted from Prior Approval Requirement
The previous regulation, OJK Regulation No. 23/POJK.05/2015 regarding Insurance Products and the Marketing of Insurance Products ("OJK Reg. 23/2015"), required every new insurance product to be reported to the OJK to obtain approval or a registration letter prior to being marketed.
OJK Reg. 8/2024 now allows insurance companies to market certain insurance products without first obtaining OJK approval.
Insurance products eligible for this exemption are:

1. Insurance products never marketed in Indonesia by the insurance company and which do not fulfil the following criteria:
   - The insurance product has a savings or cash-value element;
   - The insurance product is a credit insurance product or sharia financing insurance product; and
   - The insurance product involves suretyship or sharia-based suretyship (collectively, the "Criteria");
2. Insurance products developed from a previously marketed product but which feature a material change (e.g., a change in the risk coverage, including the exclusion or limitation of causes of risk covered and/or a change in the cash-value calculation method), but do not fulfil the Criteria;
3. Insurance products developed from a previously marketed product that fulfils the Criteria but do not feature any material changes.

For eligible insurance products marketed without prior approval from the OJK, insurance companies must still submit a report to the OJK on the implementation of the insurance products at the latest five business days after the products have been marketed.

Offering Digital Insurance Products Now Requires a PSE Registration Certificate
OJK Reg. 8/2024 requires insurance companies that offer and market insurance products digitally to:

- Obtain an Electronic System Operator (Penyelenggara Sistem Elektronik or "PSE") registration certificate from the Ministry of Communication and Informatics;
- Have and implement policies, standards, and procedures for information technology risk management; and
- Fulfil all requirements from the OJK and the authorized agency for the organization of electronic system.

Furthermore, the electronic system used to offer the insurance products digitally must contain information regarding the identity of the insurance company, the insurance products being offered, the terms and conditions of the insurance policy, as well as a summary of the products and services.

If the electronic system of another party is used to market the insurance products, such electronic system must be connected to the electronic system of the insurance company.

Insurance companies that intend to offer and market insurance products digitally through a partnership with other parties must obtain prior approval from the OJK. While OJK Reg. 8/2024 sets out the general obligation to obtain such prior OJK approval, it notes that further provisions on obtaining such approval shall be determined by the OJK. To date, no implementing regulation on this matter has been issued, but we may expect an implementing regulation to be issued in soon, considering the effective date of OJK Reg. 8/2024.

Further Provisions on Product Development Committees

Article 50 of OJK Regulation No. 73/POJK.05/2016 regarding Good Corporate Governance by Insurance Companies (as amended) ("OJK Reg. 73/2016") briefly mentions the requirement for insurance companies to have a work unit specific for insurance product development.

OJK Reg. 8/2024 reaffirms the requirement for insurance companies to have an insurance product development committee, which now must consist of at least:

- The director in charge of the insurance product development function, as the main person-in-charge;
- The executive responsible for the operational function;
- The executive responsible for the risk management function;
- The executive responsible for the marketing function; and
- The company's actuary.

The main duty of the insurance product development committee is to assess and give recommendations on the following:

1. Development of insurance products based on analysis or the results of tests conducted by the company during the development process;
2. Classification of insurance products as those which have obtained approval from the OJK or those that only need to be reported to the OJK; and
3. Marketing of insurance products (either to continue marketing, change the insurance products, and/or cease the marketing of the insurance products).

Transition From Previous Regulations

As OJK Reg. 8/2024 serves to revoke and replace the previously applicable OJK Reg. 23/2015 and Article 50 of OJK Reg. 73/2016 on product development committees, the following transitional provisions shall apply:

1. OJK approvals or registration letters for insurance products issued prior to October 29, 2024, shall remain valid.
2. Any reporting process for insurance products that is not completed by October 29, 2024, shall be subject to OJK Reg. 8/2024.
3. Administrative sanctions imposed based on OJK Reg. 23/2015 shall remain valid so long as they do not conflict with OJK Reg. 8/2024.
4. Insurance companies that are not able to resolve the cause of administrative sanctions imposed based on OJK Reg. 23/2015 shall be subject to further administrative sanctions pursuant to OJK Reg. 8/2024. ■

Source: Mondaq – 2 Sep 2024

JORDAN

- ## *Central Bank Governor Highlights Draft Insurance Law to Bolster Sector Stability*

Amman, June 30 (Petra) -
Governor of the Central bank of Jordan, Adel Sharkas, said that the bank is preparing a draft insurance law aimed at regulating the contractual relationship between insurance companies and the insured, providing a stable legal foundation for these relationships.

Speaking at the opening of an Arab symposium titled “Emerging Issues and Applications in the Arab Insurance Industry” on Sunday, Sharkas underlined the importance of the symposium in bolstering the insurance sector, highlighting its crucial role in the financial and economic systems of countries and its contribution to economic and social development through constructive discussions on the insurance sector.

Sharkas noted that since the Central Bank of Jordan assumed oversight of the insurance sector, it has fostered a legislative environment that enhances prudent regulation. This includes improving the financial solvency and capital quality of insurance companies, enabling them to confront risks and provide sustainable protection for citizens and the economy.

The bank has also updated the professional and ethical practice rules to build public confidence in the insurance sector and reviewed the compulsory insurance system to ensure due compensation for vehicle accident victims.

Addressing contemporary challenges, Sharkas remarked on the increasing risks of natural disasters and climate change. He highlighted the Central Bank’s role as a national partner in coordinating efforts to develop insurance solutions for residential and commercial facilities and state infrastructure against natural disasters. This includes launching the National Green Finance Strategy (2023-2028), aiming to position Jordan as a regional leader in sustainable financing and enhance the financial sector’s resilience to environmental and climate risks.

Sharkas urged insurance companies to offer suitable financing solutions for environmental and climate risks, recognizing their essential role in executing the green finance strategy. He also pointed out the global trend towards digital transformation in the insurance sector, which enhances customer experience and sector efficiency. The Central Bank, he noted, has developed regulatory frameworks to license electronic insurance platforms and legal frameworks to support technological advancements, aiming for a qualitative shift in the insurance industry through technology.

Majid Samirat, Chairman of the Jordan Insurance Federation, highlighted the symposium’s alignment with the Federation’s goals to promote insurance awareness through conferences and seminars. The symposium aims to address key emerging issues in the Arab insurance industry and foster dialogue among senior economists, politicians, and industry leaders.

Over two days, the symposium will explore the insurance industry’s role in economic development and financial inclusion, the region’s security situation, and its impact on the Jordanian economy and insurance market.

Topics will include information security and cyber risk policies, information governance, natural disaster insurance, the seismic situation in Jordan and the region, micro-insurance, and various types of insurance coverage such as health, agricultural, and retirement insurance. Discussions will focus on climate change and the recent natural disasters and floods in the Middle East and the Arabian Gulf. ■

Source: MENAFN - 30 June 2024

MACAU

• *Macau Insurance Market Trends & Latest Developments*

• In August 2023, HSBC established the HSBC Life Insurance Planning Centre in Macau. The center caters to customers from Macau and the Greater Bay Area region, offering protection products and wealth management solutions.

• In October 2023, AXA Hong Kong and Macau announced the development of customized parametric insurance products covering unexpected weather events.

• The Monetary Authority of Macau's Macau Vehicle Circulation in Guangdong Province scheme is set to come into effect by the end of 2024, enabling an estimated 450,000 private car owners in Hong Kong (China SAR) to travel to Guangdong province.

• The gross written premium of the Macau insurance market was MOP38.4 billion ($4.9 billion) in 2023. The market is expected to achieve a CAGR of more than 5% during 2024-2028.

• New insurance law takes effect in Aug 2025: Macau's new insurance business law will come into force in August 2025. Legislators in the territory cleared the final reading of the related Bill yesterday, reported Macau Business.

Under the new regulations, an agent's licence will be valid for two years instead of one currently, and continuing education will now be mandatory. Other legislative changes include an increase in the existing fines for misconduct in the industry, eg. to up to MOP10m ($1.24m) for serious violations.

The key trends impacting the Macau insurance market are the developments in the Greater Bay Area (GBA) and the surge in popularity of insurtech and parametric insurance. Macau's insurance industry (along with other financial sectors) is experiencing growth due to increased integration across the Greater Bay Area. The interconnectivity of Hong Kong (China SAR), Macau, and China is also fostering the development of cross-border healthcare via the Insurance Connect initiative. Insurance Connect allows Macanese insurers to establish service centers across the Greater Bay Area. Recent developments include a partnership between AXA Hong Kong and Macau and Hong Kong-based healthcare provider UMP Healthcare in late 2023. Through this partnership, AXA will provide premium health insurance in the Greater Bay Area and Mainland China via the UMP network.

Furthermore, Insurers in Macau are implementing digitalization initiatives within their value chains. This trend is expected to gain further traction over the coming years. Insurance companies are integrating technology to cater to the evolving business needs and requirements of consumers. For instance, YF Life's AI Customer Assistant Chatbot software answers general inquiries from users and provides information about the insurer's products and services through simple interactions. Similarly, FWD Life offers a chatbot that assists with customer queries and policy purchases. Meanwhile, China Taiping HK and Luen Fung Hang offer smartphone apps that provide policy information, purchases, claims, and customer service. ■

Further Readings:

MALAYSIA

• *Central bank issues policy document on claims settlement practices*

Bank Negara Malaysia (BNM) has issued the Policy Document on Claims Settlement Practices (PD CSP) which sets out the minimum standards on the handling and assessment of general insurance and general takaful claims.

These standards must be met by licensed insurers carrying on general business and licensed takaful operators carrying on general takaful business (ITOs) as well as registered adjusters.

The PD CSP aims to ensure fair, transparent and timely outcomes in claims settlement practices through the imposition of regulatory requirements and expectations for ITOs and registered adjusters. This is to observe high standards of sound and responsible business conduct.

Another key objective of this policy document is to promote the wider adoption of digital solutions by ITOs to reduce friction, enhance efficiencies, and improve customer experience. This in turn will facilitate better management of claims costs and containment of fraud risk(s) by ITOs. In addition, this will contribute to continued access to affordable motor insurance/takaful by consumers in the long run.

Highlights

Key enhancements to the policy document relating to motor claims, aimed at achieving the desired outcomes and ensuring positive consumer experiences, include the following requirements for ITOs:

1- the roles and responsibilities of the board and senior management in claims settlement practices;
2- the need to publish and prominently display a Motor Consumer Service Charter (MCSC) in all of its branches and websites. The MCSC will outline, amongst others, turnaround times consumers can expect for their motor claims and criteria and thresholds for expedited claims, where applicable;
3- shortened turnaround time for motor and non-motor claims settlement process;
4- enhancing transparency in motor repair estimates by making assessments and recommendations of registered adjusters or in-house assessors accessible to repairers;
5- maintaining high standards of professionalism and conduct for its in-house assessors. The ITO must ensure that its in-house assessors are adequately qualified and competent to perform objective assessments of motor claims and receive relevant training to stay updated with the latest technical, technological, environmental, and other developments in the motor ecosystem;
6- advising policy owners/takaful participants with comprehensive coverage on the benefits and option to submit an Own Damage Knock-for-Knock (OD KfK) claim to expedite claims processing;
7- ensure proper handling and assessment of Actual Total Loss (ATL) and Beyond Economic Repairs (BER) vehicles, including applying ATL and BER as distinguishable terms, consistent with corresponding definitions; and
8- ensure fair treatment of consumers who purchase BER vehicles with respect to access to insurance/takaful coverage.

The PD CSP was issued on 1 July 2024 and will take effect on 2 January 2025 except for certain provisions. ■ Source: Asia Insurance Review - 05 Jul 2024

PAKISTAN

• *Insurance Market - Year End 2023*

Highlights of Performance Analysis of General Insurance Companies - Year End 2023

Gross Premium Written - Conventional	**PKR 124 billion** 2022: PKR 97 billion	**Gross Contribution Written - Window Takaful**	**PKR 20 billion** 2022: PKR 16.5 billion
Retention Ratio – Conventional & Window Takaful	**49%** 2022: 53%	**Gross Loss Ratio - Conventional & Window Takaful**	**43%** 2022: 56%
Net Loss Ratio - Conventional & Window Takaful	**51%** 2022: 53%	**Combined Ratio - Conventional & Window Takaful**	**92%** 2022: 94%
Investment Income - Conventional & Window Takaful	**PKR 15 billion** 2022: PKR 7.3 billion	**PBT - Conventional & Window Takaful**	**PKR 21 billion** 2022: PKR 12 billion
Investment Return - Conventional & Window Takaful	**14%** 2022: 9%	**Return on Equity - Conventional & Window Takaful**	**21%** 2022: 15%

Highlights of Performance Analysis of Life Insurance Companies - Year End 2023

Gross Premium – Private Sector	**PKR 135 Billion** 2022: PKR 127 Billion	Highest GWP Recorded by Private Secto **JLICL at PKR 46 Bn**	Highest Investment Income Recorded by **SLIC at PKR 149 Bn**
		Highest Growth in GWP Recorded by **PQFT at 59%**	Highest invested assets by **SLIC at PKR 1,386 Bn**
Gross Premium – Public Sector	**PKR 269 Billion** 2022: PKR 244 Billion	Highest first-year Persistency by **SLIC at 81%**	Highest Growth in PAT by **IGIL at 240%**
Investment Income	**PKR 229 Billion** 2022: PKR 162 Billion	Highest subsequent year Persistency by **SLIC at 91%**	Highest PAT Recorded by **SLIC at PKR 15 Bn**
Profit after tax	**PKR 20 Billion** 2022: PKR 18 Billion	Lowest Claim Ratio by **ALAC at 39%**	Highest Investment Return by **ALAC & EFUL at 17%**

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Source: Badri Management Consultancy

• *SECP recommends formation of Pools Hi meet Insured Pakistan vision*

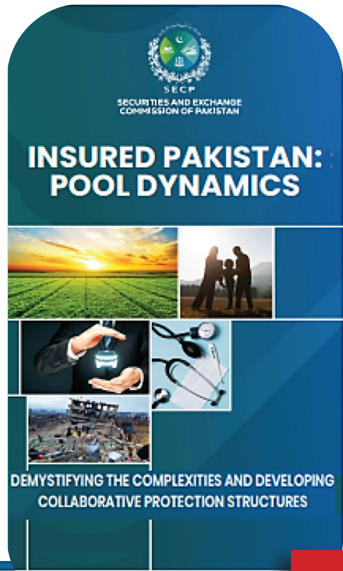
To meet the objectives of the Insured Pakistan 5-year Strategic Plan, the Securities and Exchange Commission of Pakistan (SECP) has released a comprehensive report titled "Insured Pakistan: Pools Dynamics."

This report underscores the necessity for establishing insurance pools in Pakistan by evaluating the current insurance landscape and existing official insurance schemes. It discusses international case studies and examples, evaluates domestic legal and regulatory frameworks, and proposes an action plan for creating insurance pools in Pakistan, emphasizing the collective responsibilities of involved stakeholders.

Pakistan is exposed to multiple risks such as disaster risks, energy and power sector risks, agriculture risks, etc., and yet the country remains largely uninsured. In the event of an undesired event, major reliance is placed on budgetary allocations for loss and recovery financing.
The insurance pools serve as risk pooling mechanisms for managing large and specialized risks, the coverage of which is not feasible for an individual insurance company, both in terms of expertise and financial strength. They shall not only help in managing these varied risks optimally and efficiently, but also assist the insurance sector in expanding the coverage and protection to the country and the population.

The report includes an action matrix outlining the responsibilities of diverse stakeholders. Commissioner Insurance, Aamir Khan, in his message, emphasized the need for establishing specialized risk pools in Pakistan, as the pooling of risk and resources in a systematic manner shall cable the government, insurance industry and policyholders to collectively mitigate large risks.

The report's draft version was unveiled in December 2023 at the International InsureImpact Conference 2023 held in Karachi. It has been meticulously revised following stakeholder input. ■



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Source: SECP – 31 July 2024

QATAR

• *Qatar's non-life insurance sector has modest growth potential:* S&P report

by Victor Bolorunduro - The Peninsula

The Qatari non-life insurance sector has modest growth potential and should remain resilient, even if economic growth slows down, says S&P Global Ratings (S&P).

The credit rating agency evaluates the insurance industry and country risk for the property/casualty (P&C) sector in Qatar (AA/Stable/A-1+) as moderate.

This assessment is similar to that of several other P&C markets, particularly those in neighbouring Gulf Cooperation Council markets such as the United Arab Emirates, Saudi Arabia, and Kuwait, according to S&P.

After an estimated economic growth of around 1.6% in 2023, S&P forecasts that real GDP will increase by an average of 2% in 2024-2025, driven by nonhydrocarbon sectors like wholesale and retail trade, finance, and hospitality. However, nonhydrocarbon economic activity is expected to slow down from its peak growth of 6.8% in 2022 when Qatar hosted the FIFA World Cup.

Despite increased geopolitical tensions in the Middle East, S&P believes that macroeconomic conditions in Qatar will generally remain stable.

S&P's assessment of industry risk for Qatar's non-life insurance sector is based on its strong operational performance, which the rating agency expects the sector to uphold in the next two years, as well as its supportive institutional framework.

Once fully implemented, the mandatory health scheme in Qatar is expected to provide further support to the sector. More than 80% of the market's total revenue is generated by 10 insurers, collectively.

S&P evaluates the sector's profitability and growth prospects based on data from these insurers, excluding Qatar Insurance's significant international business, which would have skewed S&P's analysis of the domestic market.

The S&P data set includes seven conventional insurers, all of which adopted International Financial Reporting Standards (IFRS) 17, a new accounting standard, in 2023.

The three takaful insurers in the data set continue to report under IFRS 4 — they are expected to transition to IFRS 17 from 2025. This has distorted the total market data. To generate the performance metrics in this report, S&P combined metrics from the two accounting standards by averaging them.

In 2023, the conventional insurers reported an average net combined ratio of about 82% under IFRS 17, while the takaful insurers reported an average net combined ratio of about 85% under IFRS4.

For 2024, S&P expects that underwriting performance will remain strong and that the overall net combined ratio will be 85%-

90%. The market average return on equity was about 8% in 2023; S&P forecasts that it will be 6%-8% in 2024 and 2025.

Asset allocation at many Qatari insurers focuses on equity and real estate holdings — S&P considers these to be high-risk assets. Given Qatari insurers' excellent capital strength, S&P does not regard risk-taking on the investment side as excessive.

The industry experienced a revenue growth of approximately 7%-8% in 2023. This growth, when compared to the 15% growth observed in 2021-2022, may seem modest. However, S&P predicted a significant decline in revenue growth due to the peak in 2021-2022 being associated with Qatar hosting the FIFA World Cup. Over the next two years, S&P foresees a premium growth of 5%-7%, unless the government fully implements its mandatory health insurance program.

Qatar has already initiated the initial phase, which mandates visitors staying longer than 30 days to possess medical insurance from an approved local provider for the duration of their stay. While this move is expected to bolster the industry's growth, S&P does not anticipate a substantial revenue increase as a result. Each policy carries only a minimal premium.

In subsequent phases, the program will be expanded to eventually cover the entire population of Qatar.

Upon full implementation, a comprehensive mandatory health program of this scale would trigger notable revenue growth. Drawing from the growth observed in neighbouring markets upon implementing similar programs, S&P anticipates revenue to increase by 15%-20% annually. This projection assumes that the government will roll out the program gradually over two to three years.

In terms of absolute figures, Qatar's complete mandatory health program could potentially generate a total revenue of QR1.0bn ($275m) to QR1.5bn for the insurance market. However, due to delays in the program's implementation over the past few years, S&P has not factored in this potential growth in our base-case forecasts.

The profitable Qatari P&C sector benefits from the nation's affluent economy and a market structure where six of the largest domestic companies have come together to form a local consortium, establishing significant barriers to entry. ■

Source: The Peninsula - 9 July 2024

Türkiye

- ***Insurance industry posts 80% surge in premiums in 1H2024***

The total premium production of the Turkish insurance companies in the first half of 2024 jumped by 80.8% compared to the corresponding six months in 2023.

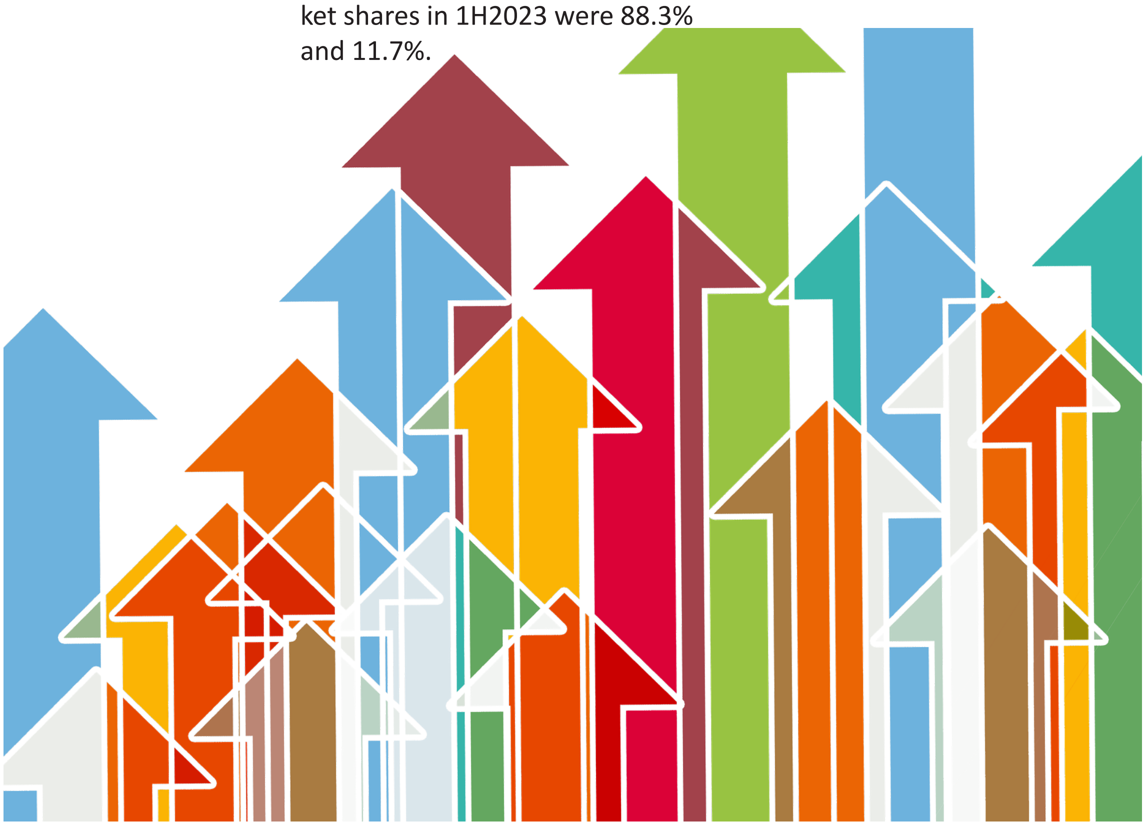
According to data compiled by the Insurance Association of Turkiye (TSB) from member companies, premium production in the January-June 2024 period amounted to TRY380.37bn ($11.53bn).

Of this total, TRY337.03bn was generated by the non-life insurance branch, representing an increase of 81.3%, while TRY43.34bn was posted by the life insurance branch, an increase of 75.9%. The market share of non-life business in 1H2024 was 88.6%, while that of life insurance business was 11.4% in life insurance. The respective market shares in 1H2023 were 88.3% and 11.7%.

Adjusted for Turkiye's high inflation rates, the increases in total premiums, non-life premiums, and life premiums were 5.3%, 5.7%, and 2.5% respectively in the first half of this year.

The top insurance branches in the first six months of the year in terms of premiums were motor insurance, health insurance, and fire (including natural disaster coverage) insurance. ■

Asia Insurance Review - 28 July 2024



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Financial Strength Rating
A.M. BEST
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Capacity
Sizeable underwriting capacity for Oil & Energy related business and Nuclear Energy.

Geographical Scope
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Africa
Asia
Europe (For Nuclear Energy risks only)

Acceptance Scope
Business can be accepted from Members, Non-Members, Brokers and all other insurers and Reinsurers handling the Afro-Asian Oil and Energy related business.

Underwriting Scope
The Syndicate underwrites on Facultative basis; Oil & Energy related business including but not limited to:

- Energy: Onshore and Offshore
- Power Plants
- Renewable Energy
- Energy related Constructions
- Nuclear Risks including Radioactive Contamination
- Operators Extra Expenses (Cost of Well Control/Re-drilling Expenses/Seepage and Pollution)
- Business Interruption when written in conjunction with other classes
- Liability when written in conjunction with other classes
- Energy package policies

A.M.Best Rating

On 16.5.2024 A.M. Best revised the Outlook of the Syndicate to “Positive”.

The ratings are as follows:

Financial Strength Rating (FSR) B+ (Good) with positive outlook.
Issuer Credit Rating (ICR) bbb- (Good) with positive outlook.

“The ratings reflect the Syndicate’s balance sheet strength, which A.M.Best assesses as strong, as well as its adequate operating performance, neutral business profile and appropriate enterprise risk management.” – A.M.Best.

FAIR Oil & Energy Insurance Syndicate is proud to be the first entity of its kind to be rated by a reputable international rating agency.

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ESWATINI
(Swaziland)
Insurance Market Overview

by Hussein Elsayed

(I) ESWATINI: Country General Information

1. Country Socio-Economic Information

- **Official Name:** Kingdom of Eswatini
- **Region**: Southern Africa **Area:** 17,364 km²
- **UN Category:** Least Developed Country (LDC)
- **Capital:** Mbabane (administrative), Lobamba (royal and legislative)
- **Location:** Landlocked between South Africa and Mozambique

- **Population:** ~1.18 million (2023 estimate)
- **Languages:** Siswati: ~90% | English: ~10% (official)
- **Religions**: Christianity: ~83% | Traditional Beliefs: ~15% | Others/Unaffiliated: ~2%
- **Unemployment Rate**: ~23% (2023)
- **Human Development Index (HDI)**: 0.611 (2022, Medium human development)
- **Poverty Rate**: ~59% (living under $1.90/day)
- **Literacy Rate**: ~87%
- **Life Expectancy**: ~59 years |
- **Urbanization Rate**: ~30%

- **GDP (Nominal)**: $4.4 billion (2023)
- **GDP Growth Rate**: 1.4% (2023 estimate)
- **GDP Per Capita**: ~$3,700 (2023)
- **Currency**: Lilangeni (SZL)
- **Exchange Rate to US Dollar**: 1 USD = ~18.80 SZL (2023)
- **Inflation Rate**: 5.2% (2023)
- **Sovereign Credit Rating**: Moody's: B2 (stable) | S&P: BB- (stable) | Fitch: B+

- **Major Industries**: Sugarcane: 22% | Mining (coal, diamonds, asbestos): 15% | Textiles and apparel: 12% | Tourism and services: 18% | Agriculture (maize, cotton, livestock): 10%
- **Exports**: $1.78 billion (2023)
  - Major Products: Sugar, textiles, wood pulp, citrus fruits, canned fruits
  - Major Export Partners: South Africa (~75%), Mozambique, EU (Germany, UK)
- **Imports**: $2.13 billion (2023)
  - Major Products: Machinery, vehicles, fuel, chemicals, food products
  - Major Import Partners: South Africa (~80%), China, India, Mozambique

2. Country Risk

- **Economic Risk**: **High:**
  Relies heavily on South Africa for trade and currency. Slow economic growth and high unemployment rates contribute to systemic vulnerabilities. Limited diversification in the economy.
- **Political Risk**: **Moderate-High :**
  Eswatini is Africa's last absolute monarchy. There have been protests calling for political reforms, but instability is contained. Government controls key institutions, and changes in the political system are slow.
- **Financial Risk**: **High:**
  Eswatini's financial sector remains relatively small, with limited credit availability. Public debt is increasing, and government finances are strained. Heavy reliance on revenue from the Southern African Customs Union (SACU).

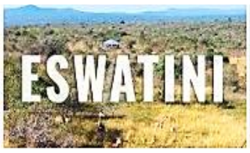
- **Social Risk**: High:
  With over half the population living in poverty, there are significant social disparities. High rates of unemployment and HIV/AIDS contribute to a fragile social fabric.
- **Regulatory Risk**: Moderate:
  The legal framework is underdeveloped in certain sectors. There is a lack of regulatory transparency, especially in the financial sector. International investors face challenges due to inefficient bureaucratic processes.
- **Operational Risk**: Moderate:
  Infrastructure development is slow, but the government has committed to expanding it. However, electricity and water access can be unreliable, particularly in rural areas.
- **Trade & Investment Risk**: Moderate:
  Trade relations are strong with South Africa, but global outreach is limited. Investment remains concentrated in a few sectors, and bureaucratic inefficiencies discourage foreign investors.

3. Country Natural Hazards

Drought	High	**Hail**	Low
Flood	Medium	**Earthquake**	Very Low
Extreme Heat	Medium	**Frozen**	Very Low
Bushfire	Medium	**Tsunami**	Very Low (Landlocked)
Landslide	Low	**Volcano**	None

Eswatini is particularly vulnerable to droughts and floods due to its agricultural reliance and changing weather patterns. Extreme heat has been an increasing concern in recent years, exacerbating water shortages. Landslides and bushfires occur in isolated areas but are less frequent.






(III) ESWATINI: Insurance Market

Key Highlights

- *The Swazi insurance industry is regulated by the FSRA.*
- *100% FDI is permitted in Swazi insurance industry.*
- *Motor third-party liability insurance and worker's compensation insurance are mandatory classes of insurance in Eswatini.*
- *Non-admitted insurance is prohibited in Eswatini. However, the FSRA may permit the placement of non-admitted contract if local capacity is not available.*
- *Corporate tax rate was reduced to 27.5% from the earlier rate of 30% starting from January 1, 2014..*
- *The Eswatini insurance market reached E20.2 billion (equivalent to US$109.6 million) in 2021 and is anticipated to grow at a Compound Annual Growth Rate (CAGR) exceeding 8% by 2025.*

(A) Historical Landmarks and Regulatory Environment

1. Early Development and Foundation (Pre-1970s)

The insurance industry in Eswatini (formerly Swaziland) traces its roots to the colonial period, during which the country was a British protectorate. The initial insurance practices were largely driven by British and South African companies. These companies offered limited insurance products to expatriates, colonial administrators, and businesses, with a strong focus on protecting assets related to agriculture, mining, and trade, the backbone of the Swazi economy at the time. The insurance services were concentrated on safeguarding properties and goods, with little emphasis on individual life or health insurance, as the demand was low among the local population.

During this era, the local Swazi population had minimal access to formal insurance products. Traditional risk-sharing practices and informal cooperative mechanisms, such as communal assistance in times of misfortune, played a significant role in managing risks among Swazi communities.

2. Post-Independence Expansion (1970s–1990s)

Following Eswatini's independence in 1968, the country's economy began to diversify, with increasing investments in agriculture, infrastructure, and manufacturing. The growing middle class, coupled with industrial expansion, led to a rising demand for formal insurance services. In response, several South African and international insurance firms expanded their operations into Eswatini, providing a wider range of products such as life insurance, motor insurance, and property insurance.

During the 1980s, the Swazi government started recognizing the need for a more structured and regulated insurance sector. This period saw the formation of the first domestic insurance companies, though the market was still dominated by foreign firms. South African insurers like *Sanlam* and *Old Mutual* played a dominant role, particularly in the life insurance segment.

In terms of regulation, Eswatini’s insurance market lacked a formalized oversight body until the 1990s. The absence of a comprehensive regulatory framework limited the growth of local insurers, as foreign companies enjoyed relatively free market access and controlled the majority of the business.

3. Institutionalization and Regulatory Framework Establishment (1990s–2005)

By the mid-1990s, the Eswatini government began implementing policies to develop and localize its insurance industry. The need for a formal regulatory body became apparent, and in 1997, the *Office of the Registrar of Insurance* was established under the Ministry of Finance. This was a pivotal moment, as it provided the foundation for the future supervision of the industry.

The introduction of the *Insurance Act of 1996* marked the beginning of formalized insurance regulation in Eswatini. The Act outlined the rules for the registration of insurers, intermediaries, and brokers, as well as the establishment of solvency standards and the protection of policyholders. The Act aimed to promote local participation and protect the interests of Swazi citizens by ensuring fair market practices.

At the same time, local insurers began to emerge more prominently. Companies such as *Swaziland Royal Insurance Corporation (SRIC)* became instrumental in providing insurance products tailored to the needs of the local population, especially in areas like life, health, and agricultural insurance.

4. Modernization and Growth (2005–2015)

The turn of the century marked significant progress for Eswatini's insurance industry, with increasing efforts to modernize the regulatory framework and promote domestic market participation. In 2005, the *Insurance Act of 2005* was introduced, replacing the previous framework and strengthening regulations concerning market conduct, solvency requirements, and consumer protection.

The establishment of the *Financial Services Regulatory Authority (FSRA)* in 2010 was a major milestone. The FSRA replaced the Office of the Registrar of Insurance and consolidated the regulatory oversight of all financial services, including insurance. The FSRA’s mandate was to ensure the stability and integrity of the insurance market by enforcing compliance with the law and international standards, as well as fostering competition and innovation within the industry.

Key developments during this period:

- **Market Diversification:** Local insurers started offering a broader range of products, including microinsurance to cater to low-income earners. This helped bridge the gap between the urban and rural population in terms of access to financial services.
- **Foreign Participation:** While local insurers gained prominence, international companies continued to play a significant role, especially in reinsurance and specialized insurance products.
- **Compulsory Insurance:** The introduction of compulsory motor third-party liability insurance and workmen's compensation policies fueled the growth of non-life insurance. This helped increase public awareness of the need for insurance and expanded the customer base.

5. Recent Trends and Evolution (2015–Present)

The Swazi insurance industry has continued to evolve in recent years, driven by regulatory improvements, technological advancements, and market demand. The FSRA has continued to play a critical role in enforcing solvency and risk management standards in line with global best practices. Insurers have increasingly adopted technology to streamline operations, improve customer service, and reduce operating costs. The digital transformation of the industry includes the use of mobile platforms to offer products such as mobile-based insurance, which is particularly relevant in rural and underserved areas.

Several key developments have shaped the modern Swazi insurance industry:

- **Introduction of Microinsurance:** To meet the needs of the large informal economy and rural population, microinsurance products have been introduced. The Micro Insurance Regulations, 2020 were established in Eswatini and came into force on December 18, 2020. Microinsurance products are described in the Regulations as being available, accessible, and inexpensive to low-income people. The Regulations require potential microinsurers to submit a written licensing application to the authorities. Microinsurers' capital requirements are reduced, with a minimum paid-up share capital or non-distributable reserves of 400,000 Emalangeni required.
- **Focus on Financial Inclusion:** The government has been working with insurance companies to increase financial inclusion, ensuring that even the most vulnerable populations have access to affordable insurance products. The insurance penetration rate, however, remains low compared to other Southern African nations, indicating room for growth.
- **Increasing Regulation of Market Conduct:** The FSRA has taken steps to improve transparency and accountability within the insurance industry. Companies are now required to provide clearer information to policyholders, and consumer protection mechanisms have been strengthened.
- **Increased Foreign Direct Investment:** Eswatini continues to attract foreign insurers, particularly from South Africa and international reinsurers. These firms bring expertise, capital, and innovation to the market, further enhancing its development.
- **Passing of the Reinsurance Bill of 2022 into an Act by the House of Assembly:** The Reinsurance Act, 2023 (Act No.4 of 2023); an Act to provide for the establishment, promotion and regulation of the reinsurance business in the insurance industry and other incidental matters.

❖ Insurance Regulator

Financial Services Regulatory Authority (FSRA):

FSRA is an integrated regulatory and supervisory authority for all non-bank financial services providers in Eswatini. It was established in terms of the Financial Services Regulatory Authority Act, 2010 as an independent body with the principal objectives to foster through regulation and prudential supervision.

The FSRA consists of 3 divisions that deal with the supervision and regulation of the non-bank financial services sector.

The Insurance and Retirement Funds Division: deals with the regulation and supervision of the insurance and retirement funds industry, including medical aid schemes.

The Credit and Savings Institutions Division: deals with institutions that provide credit in Swaziland including Savings and Credit Cooperative Societies (SACCOs), building societies, money lenders, development finance institutions, lotteries, hire purchase institutions, pawn brokers, institutions engaged in credit !business and other deposit taking institutions.
The Capital Markets Development Division: deals with the regulation and supervision of the securities market including stock exchanges, collective investment schemes, investment advisors, dealers, exempt dealers, trustees and other capital markets participants.

The principal objectives of the FSRA include the promotion of fair competition between different insurance service providers for the benefit of stakeholders and the protection of stakeholders.

❖ Key Insurance Legislations & Regulations:

- Control of Insurance Order, 1973
  A King's Order-in-Council to provide for the control of insurance.
- The Workmen's Compensation Act, 1983
- The Occupational Safety and Health Act, 2001.
- Insurance Act, 2005
  The Insurance Act regulates provision for the regulation and supervision of insurance companies and their intermediaries.
- The Financial Institutions Act, 2005
  The Financial Institutions Act requires financial institutions who carry on banking business to get a license from the CBE..
- The Retirement Funds Act, 2005
  In 2005, Eswatini adopted South African law and enacted the Retirement Funds Act of 2005 to regulate the business of all retirement funds (public and private) in the Kingdom.

- The Competition Act, 2007
- The Revenue Authority Act, 2008
- The Companies Act, 2009
- The Financial Services Regulatory Authority Act, 2010
  The FSRA Act established the FSRA with the mandate to foster financial stability through regulation and prudential supervision of financial services providers.
- Money Laundering and Financing of Terrorism (Prevention) Act, 2011
- *The Money Laundering and Financing of Terrorism (Prevention) Act criminalises money laundering and aims to suppress terrorism financing. It establishes a financial intelligence unit and to provide for the forfeiture of ill-gotten property.*
- Consumer Credit Act 2016
  The Consumer Credit Act of 2016 was implemented in Swaziland in 2017, replacing the Money Lending and Credit Financing Act of 1991, the Hire Purchase Act of 1969, and the Pawnbroking Act of 1894. It codifies the common law for credit agreements.
- The Reinsurance Act, 2023 (Act No.4 of 2023)
  An Act governing the establishment, regulation and promotion of reinsurance business and plugging a gap in insurance legislation.
- The Retirement Funds Regulations, 2008 (as amended)
- The Retirement Funds Directives, 2008
- The Insurance Regulations, 2008
- The Insurance Directives, 2008 (as amended)
- The Competition Commission Regulations, 2010

❖ Insurance Products

- **Life Insurance:** Regulations focus on ensuring that life insurers maintain sufficient reserves to meet policyholder obligations. The FSRA also requires life insurers to implement sound actuarial practices and ensure fair policyholder communication.

- **Non-Life Insurance:** Products like motor, property, and liability insurance must comply with strict underwriting guidelines and solvency standards. There is a high emphasis on transparency in the terms and conditions of insurance products.
- **Health Insurance:** There is increased regulation to ensure that health insurers meet the country's healthcare needs, with a focus on solvency and claim management.
- **Microinsurance:** Given Eswatini's socio-economic landscape, there is a growing interest in microinsurance. Regulations are being developed to support this segment, ensuring that products are affordable, accessible, and properly regulated.

Compulsory Insurance:

- **Motor Third-Party Liability Insurance:** It is mandatory for all vehicle owners to have motor third-party liability insurance. This provides coverage against liabilities to third parties for bodily injury or death caused by the insured vehicle.
- **Workmen's Compensation Insurance:** Employers must provide workmen's compensation insurance for employees, covering occupational injuries, diseases, and death.
- **Public Liability Insurance for certain professions:** For example, some sectors, such as construction and engineering, require specific liability insurance to operate.

Non-Admitted Insurance:

Under the *Insurance Act of 2005*, non-admitted insurance is prohibited. All insurance business must be conducted through licensed entities in Eswatini. This ensures that local insurers benefit from the business and that risks are underwritten within the country's regulatory environment. Exceptions may exist for highly specialized coverages where local insurers cannot offer adequate protection.

Legal System:

Eswatini follows a mixed legal system that incorporates both common law and Swazi traditional law. Insurance disputes are typically resolved through the country's commercial courts, but regulatory oversight by the FSRA often plays a crucial role in ensuring that insurance-related disputes are handled in line with regulatory requirements.

Reinsurance Business in Eswatini

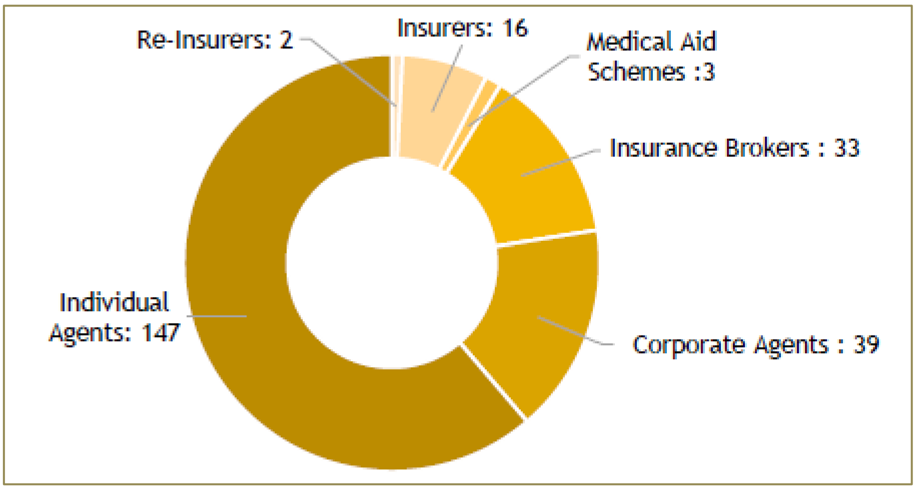
- Historically, local insurers have sourced reinsurance support from outside borders. The reinsurance industry in Eswatini is dominated by foreign companies, mostly from South Africa. According to the Financial Services Regulatory Authority (FSRA) 2020 Annual Report, the Eswatini market was placed locally only 9% of this amount, in other meaning foreign players command 90% of reinsurance market
- In 2015 the industry welcomed the first local reinsurance company (**Ezulwini Reinsurance Company** http://www.ezulwini-re.co.sz/) which is authorized to transact reinsurance business in long and short-term reinsurance.
  However, given the size and diversity of insurable risks in the country.
- In 2022 Eswatini's House of Assembly has passed the Reinsurance Bill into an Act. The objectives of the act included the introduction of reinsurance industry in the country, regulation of reinsurance industry in the country and making it mandatory for any person wishing to take re-insurance cover to take it with local reinsurance companies or provide for proportional reinsurance where at least a certain percentage of the cover is to be taken locally. According to the act, unlicensed reinsurance businesses will face a hefty fine amounting to E2 million or imprisonment for a term not exceeding 10 years or both.
  The Act further provided that the authority being the Financial Services Regulatory Authority (FSRA) may, if satisfied that no licensed local reinsurer is able, in any particular case, provide policy benefits under a policy on equitable terms, grant an exemption to any reinsurer and reinsurance broker licensed in terms of this Act to source reinsurance outside Eswatini.

Security, Growth and Stability

- In October 2018 **Eswatini Re Limited** (https://eswatinire.co.sz/) was established. Eswatini Re Limited, has been officially launched in the country. Ezulwini Re Limited is the second reinsurance company in Eswatini, in a market worth almost 400 million in reinsurance premiums.
- Eswatini Re Limited is a 100% Swazi owned company, wholly owned by Eswatini Royal Insurance Corporation (ESRIC). The company was formally established in 2018, however, it only officially opened its doors for business in January 2022. The new firm seeks to broaden the local reinsurance capacity by offering additional capacity to the Eswatini reinsurance market.

(B) ESWATINI: Insurance Market Performance & Statistics

❖ Licensing Statistics:



❖ Long-Term Insurers Business Performance

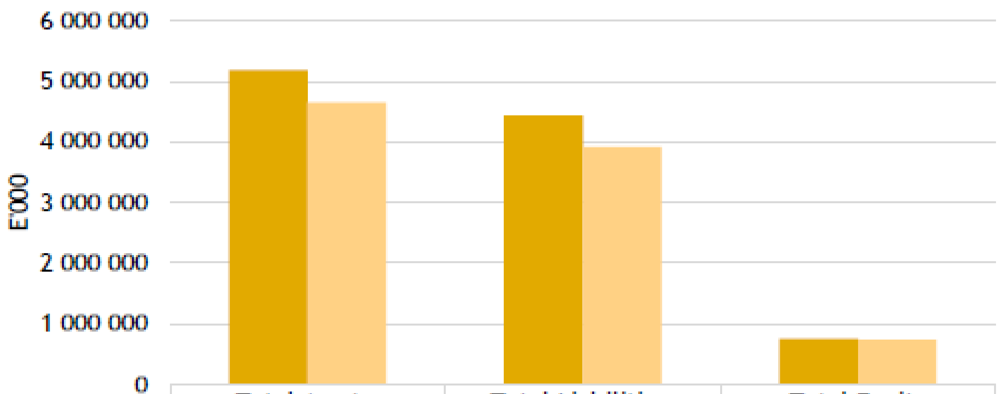
Gross Written Premiums

	2021	2020	% Change
	E1,000		
Annuities	42 872	53 289	-24%
Assistance			
Credit life	140 968	106 838	24%
Disability	15 296	12 099	21%
Endowment	45 712	27 889	39%
Funeral	145 712	166 187	-14%
Group life	108 892	108 160	1%
Health			
Individual life	109 975	131 380	-19%
Retirement fund	191 183	187 133	2%
Unit linked savings	168 786	169 722	-0.5%
Other	-	-	
Total	969 395	962 697	1%

Net Claims Incurred

	2021	2020	% change
	E1,000		
Annuities	45 808	42 870	6%
Assistance	-	-	
Credit life	58 207	20 701	64%
Disability	3 911	4 491	-15%
Endowment	19 247	19 111	1%
Funeral	216 895	51 459	76%
Group life	85 503	48 638	43%
Health	-	-	
Individual life	97 228	82 956	15%
Retirement fund	118 429	163 960	-38%
Unit linked savings	61 801	206 482	-234%
Other	-	-	
Total	707 028	640 668	9%

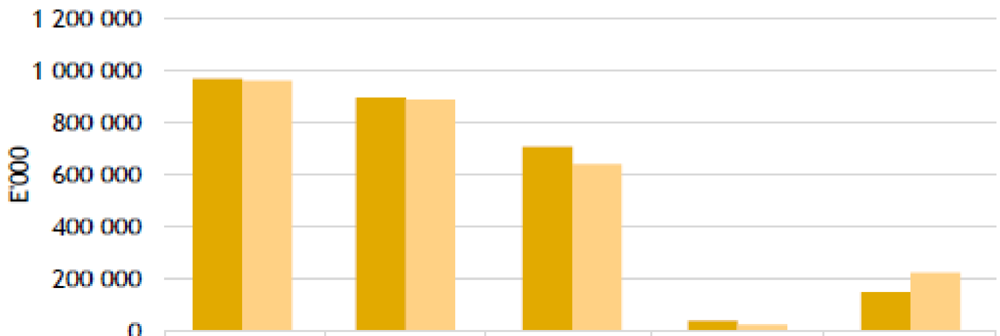
LTI Financial Position for Long-Term Insurers



	Total Assets	Total Liabilities	Total Equity
2021	5 189 631	4 434 533	755 098
2020	4 648 305	3 913 513	734 793

Source: Consolidated FSRA Quarterly Returns

LTI Underwriting Results and Profitability



	Gross Earned Premiums	Net Earned Premiums	Net claims & Policy benefits	Net Commission & other acquisition costs	Net underwriting results
2021	969 862	896 987	707 028	40 661	149 298
2020	962 697	888 264	640 668	24 775	222 821

Source: Consolidated FSRA Quarterly Returns

LTI Financial Health and Soundness Indicators

Indicators	2021	2020
Claims ratio	115%	83%
Gross claims ratio	117%	82%
Expense ratio	26%	26%
Investment income to net premium	72%	37%
Investment income to average invested assets	13%	7%
Return on equity (ROE)	28%	29%
Return on assets (ROA)	4%	5%
Personnel expenses	5%	6%
Operating expenses	20%	22%

❖ Short-Term Insurers Business Performance

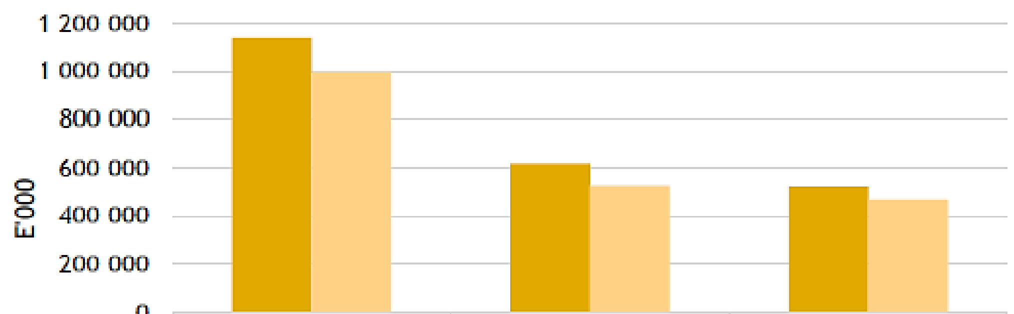
STI Gross Written Premiums

	2021	2020	% Change
	E1,000		
Accident	17 827	16 780	6%
Agriculture	26 129		100%
Engineering	48 319	45 040	7%
Guarantee	14 744	29 499	-100%
Health	22 809	29 897	-31%
Legal expenses	597	435	27%
Liability	42 539	27 634	35%
Motor	191 546	201 045	-5%
Property	131 295	96 846	26%
Transportation	9 801	7 434	24%
Travel	-	0	
Workman's compensation	115 309	108 897	6%
Other	207 757	203 414	2%
Totals	828 670	766 919	7%

STI Net Claims Incurred

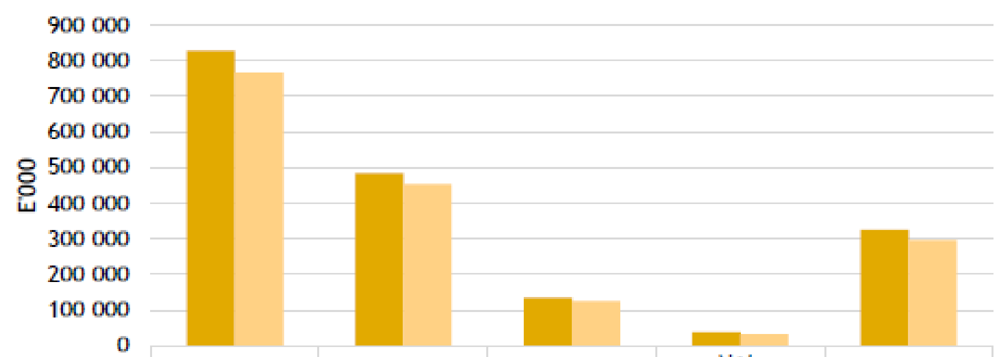
	2021	2020	% change
	E1,000		
Accident	2 309	1 465	37%
Agriculture	5 572	0	100%
Engineering	5 923	2 557	57%
Guarantee	609	3 269	-436%
Health	13 363	16 674	-25%
Legal expenses	8	27	-236%
Liability	3 739	2 045	45%
Motor	65 756	52 781	20%
Property	41 299	21 062	49%
Transportation	1 165	467	60%
Travel			
Workman's compensation	3 761	17 958	-377%
Other	(9 378)	6 516	169%
Totals	134 127	124 820	7%

STI Financial Position



	Total Assets	Total Liabilities	Total Equity
2021	1 139 557	617 873	521 684
2020	994 127	526 324	467 802

STI Underwriting Results



	Gross Earned Premiums	Net Earned Premiums	Net claims & Policy benefits	Net Commission & other acquisition costs	Net underwriting results
2021	828 670	483 553	134 127	37 816	325 314
2020	766 919	452 457	124 820	30 963	296 674

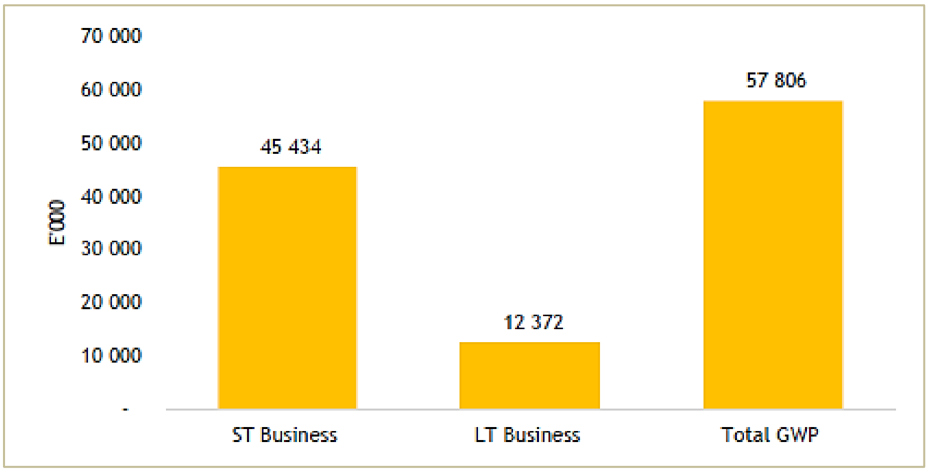
Source: Consolidated FSRA Quarterly Returns

STI Financial Health and Soundness Indicators

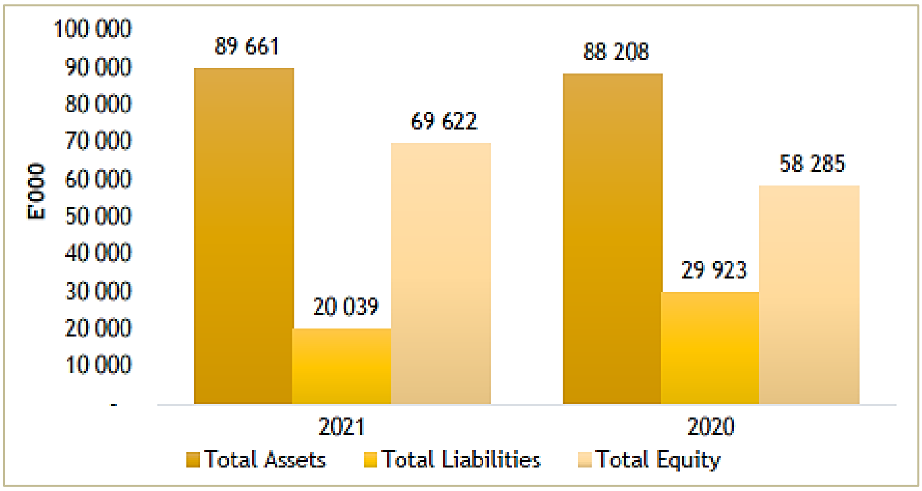
Indicators	2021	2020
Claims ratio	28%	28%
Gross claims ratio	23%	23%
Expense ratio	68%	41%
Investment income ratio	7%	7%
Investment income / average invested assets	6%	5%
Combined ratio	96%	69%
Operating ratio	88%	63%
Profitability ratio	31%	29%
Return on equity	28%	28%
Return on assets	13%	13%
Risk-retention ratio	60%	61%

❖ Re-Insurance Business Performance

Re-Insurance Business GWP



Reinsurance Business Solvency



➢ Eswatini Insurance Market in 2022:

1. Life Insurance Segment

This segment focuses on providing coverage related to life and long-term financial protection. It includes products like life assurance, pension plans, and investment-linked products.

Key Products:

- **Term Life Insurance**: Provides coverage for a specific period and pays a benefit if the insured person dies during the policy term.
- **Whole Life Insurance**: Offers lifetime coverage with an investment or savings component.
- **Endowment Policies**: Combines savings with life insurance benefits, paying out either on death or at a specified maturity date.
- **Pension Plans and Annuities**: Focuses on retirement savings and guaranteed income post-retirement.
- **Investment-Linked Life Products**: Life insurance tied to investment performance, offering both coverage and savings growth.

Market Share of Life Insurance Segment (2022)

- **Life Insurance Market Size**: Life insurance represents around **55-60%** of the total insurance market in Eswatini.
- **Growth Drivers**: Rising demand for long-term financial security, growing awareness of life insurance, and increased formal employment have contributed to the growth of life insurance in Eswatini.

Major Players (2022 Market Share Estimates)

- **Old Mutual Eswatini**: ~40% market share
- **Metropolitan Eswatini**: ~30% market share
- **Liberty Life Eswatini**: ~15% market share

2. Non-Life Insurance Segment

Non-Life Insurance covers risks associated with property, liabilities, and other short-term risks. It includes various classes like motor insurance, property insurance, health insurance, and liability insurance.

Key Products:

- **Motor Insurance**: Includes both third-party liability and comprehensive cover for vehicles.
- **Property Insurance**: Covers damages or losses to property caused by perils like fire, floods, theft, etc.
- **Health Insurance**: Provides medical coverage for policyholders.
- **Liability Insurance**: Protects individuals and businesses from claims for injury or damage to third parties.
- **Marine, Aviation, and Transit Insurance**: Covers goods in transit by sea, air, or land.
- **Engineering Insurance**: Provides cover for infrastructure projects, plant and machinery, and equipment against breakdown or damage.

Market Share of Non-Life Insurance Segment (2022)

- **Non-Life Insurance Market Size**: The non-life insurance market in Eswatini accounts for around **40-45%** of the total insurance market.
- **Growth Drivers**: The expansion of infrastructure projects, vehicle ownership growth, and the need for liability coverage are key factors driving the non-life sector.

Major Players (2022 Market Share Estimates)

- **Eswatini Royal Insurance Corporation (Non-Life Division)**: ~45% market share
- **Old Mutual Eswatini (General Insurance)**: ~20% market share
- **Phoenix Assurance Eswatini**: ~12% market share

❖ Challenges and Opportunities

Challenges

While the Swazi insurance market has shown steady growth, several challenges and recommendations remain can be summarized as following:

- **Low Insurance Penetration:** Insurance penetration in Eswatini remains low, particularly for life and health insurance. This can be attributed to low levels of disposable income, a lack of insurance awareness, and cultural factors that discourage the use of formal insurance.
- **Regulatory Compliance Costs:** While the regulatory framework has improved, the cost of compliance with the FSRA's regulations can be burdensome, particularly for small and emerging insurers. This can inhibit innovation and market growth.
- **Climate Risk and Agricultural Insurance:** Eswatini is vulnerable to climate-related risks, particularly in agriculture. There is an increasing need for insurers to develop products that cover crop damage, livestock loss, and other risks tied to the country's primary economic sectors.

Opportunities:

- **Microinsurance and Financial Inclusion:** Expanding microinsurance products and enhancing financial inclusion initiatives present a major opportunity for insurers to tap into underserved segments of the population.
- **Technology and Innovation:** Insurtech is an emerging trend in Eswatini, with mobile platforms and digital channels offering new ways to distribute products and improve efficiency. Insurers who leverage technology effectively can gain a competitive advantage.
- **Growth in Health Insurance:** With growing awareness about the importance of health coverage, there is a significant opportunity for the expansion of health insurance products, especially given the increasing focus on healthcare services in the country.

REFERENCES & RESOURCES

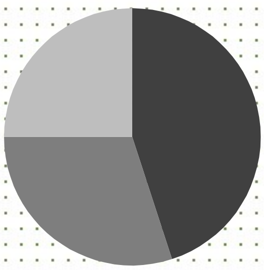
FAIR AVIATION POOL

FAIR AVIATION POOL's UNDERWRITING CAPACITY

TREATY

eaty (Non Proportional)
$ 4 000 000

eaty (Proportional)
$ 4 000 000



FACULTATIVE

Facultative (Airline)
<u>HULL</u> **$ 4 000 000**
<u>LIABILITY</u> **$ 26 000 000**

Facultative (Non Airline)
<u>HULL</u> **$ 3 000 000**
<u>LIABILITY</u> **$ 15 000 000**

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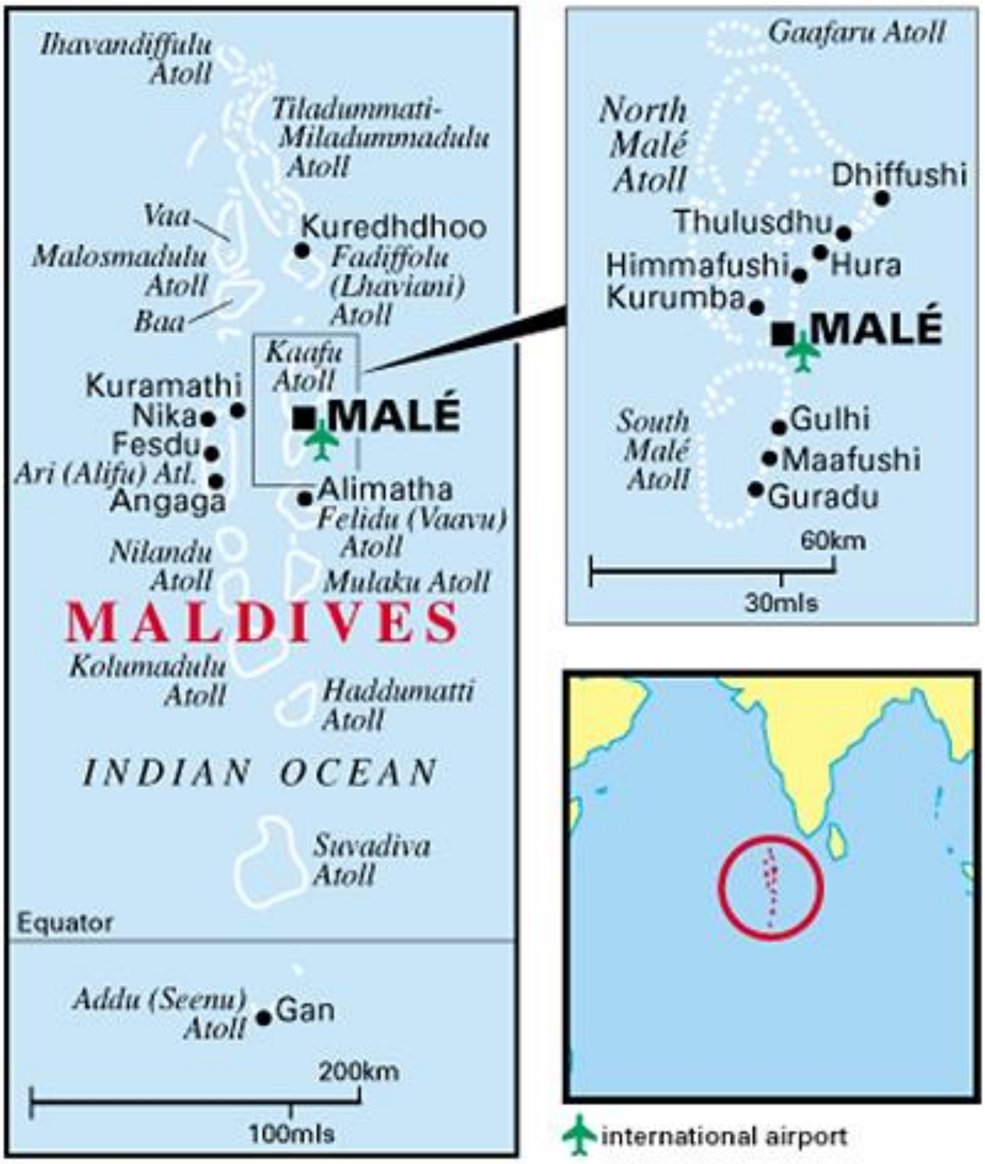
CRÉATEUR DE RÉSILIENCE DEPUIS 1960
RESILIENCE BUILDER SINCE 1960
GROUPE CDG

MALDIVES

Insurance Market Overview

by Hussein Elsayed



(I) MALDIVES: Country General Information

1. Country Socio-Economic Information

- **Official Name**: Republic of Maldives |
- **Region**: South Asia
- **Capital**: Malé
- **Location**: Indian Ocean, southwest of Sri Lanka and India
- **Time Zone:** GMT + 5.
- **Area**: 298 km² (spread over 26 atolls and approximately 1,190 coral islands)
- **UN Category**: Developing Country, Small Island Developing State (SIDS)
- **Government**: Federal presidential constitutional republic.
- **Population**: ~540,000 (2023 estimate)
- **Languages**: Dhivehi (official): ~97% | English: ~3% (commonly spoken in business and education)
- **Religions**: Islam (official and state religion): 100%
- **Unemployment Rate**: ~6.2% (2023)
- **Human Development Index (HDI)**: 0.740 (2022, High human development)
- **Poverty Rate**: ~8% (living below the national poverty line)
- **Literacy Rate**: ~98.6%
- **Life Expectancy**: ~79 years
- **Urbanization Rate**: ~43% (mainly concentrated in Malé)

- **GDP (Nominal)**: $6.5 billion (2023)
- **GDP Growth Rate**: 6.6% (2023 estimate)
- **GDP Per Capita**: ~$12,000 (2023)
- **Inflation Rate**: 2.8% (2023)
- **Currency**: Maldivian Rufiyaa (MVR)
- **Exchange Rate**: 1 USD = ~15.4 MVR (2023)
- **Sovereign Credit Rating**: Moody's: B3 (Negative) | S&P: B- (Stable) | Fitch: B
- **Major Industries**:
  - Tourism: ~28%
  - Fisheries: ~10%
  - Construction: ~8%
  - Agriculture: ~6%
  - Shipping and Logistics: ~5%
- **Exports**: $320 million (2023)
  - Major Products: Fish (especially tuna), marine products
  - Major Export Partners: Thailand, Sri Lanka, France, UK, Germany
- **Imports**: $1.85 billion (2023)
  - Major Products: Petroleum products, food, machinery, clothing, transport equipment
  - Major Import Partners: UAE, India, China, Singapore, Malaysia

2. Country Risk Information

- **Economic Risk**: High **:**
  The economy is highly dependent on tourism, which leaves it vulnerable to global economic downturns, environmental changes, and disruptions like the COVID-19 pandemic. External debt is rising, and the fiscal deficit remains high.
- **Financial Risk**: High**:**
  High public debt (over 100% of GDP), fiscal deficits, and reliance on external financing (aid and loans) contribute to financial risk. The financial sector remains small and underdeveloped, with limited credit availability.
- **Trade & Investment Risk**: High**:**
  Trade imbalances due to heavy import dependence make the economy vulnerable. Investment is mainly concentrated in tourism-related sectors, and diversification remains limited. Bureaucratic processes can be slow and inefficient for foreign investors.
- **Political Risk**: Moderate**:**
  Maldives has seen political instability in recent decades, with changes in government and concerns about democratic governance. Political risk is moderate due to ongoing reforms, but tensions remain.
- **Regulatory Risk**: Moderate**:**
  The regulatory environment for foreign investment has improved but still has challenges, including legal uncertainties and issues around land ownership (foreigners cannot own land). Corruption concerns persist in the public sector.
- **Social Risk**: Moderate**:**
  While the Maldives has a high literacy rate and a low poverty rate, economic inequalities exist, particularly between the capital Malé and the outer islands. Social tensions occasionally arise due to unemployment and housing shortages in the capital.
- **Operational Risk**: Moderate**:**
  Infrastructure is developed in Malé and tourism areas but remains underdeveloped in many outer islands. The small land area, coupled with rising sea levels, creates vulnerability for future developments.

3. Country Natural Hazards

Sea-Level Rise	High	**Drought**	Moderate
Storm Surge/Cyclones	High	**Earthquake**	Low
Flooding	High	**Landslide**	Low
Tsunami	Moderate-High	**Bushfire**	Very Low
Extreme Heat	Moderate	**Frozen**	None

Due to its geographical location and low-lying nature, the Maldives is highly vulnerable to sea-level rise, which threatens its long-term habitability. Cyclones, storm surges, and tsunamis also pose significant risks. Climate change is exacerbating extreme heat, flooding, and drought issues.




(III) MALDIVES: Insurance Market

KEY HIGHLIGHTS

- *The Maldivian insurance industry is regulated by the Maldives Monetary Authority*
- *The primary law governing the insurance industry in the Maldives is the Insurance Industry Regulation*
- *The Maldivian government permits up to 100% foreign direct investment in the insurance industry*
- *Motor third-party liability insurance is compulsory in the Maldives*
- *Non-admitted insurance is not permitted in the Maldives.*

(A) Historical Landmarks and Regulatory Environment

1. Early Beginnings (Pre-Independence Era and Initial Growth: Pre-1965)

Before the Maldives gained independence from Britain in 1965, the insurance market was almost non-existent. The economy of the Maldives was primarily based on subsistence fishing, and there was minimal need for sophisticated financial or insurance products. The country's geographic isolation and lack of major industries further limited the development of any form of formal insurance.

During the colonial era, the few available insurance services were offered by foreign entities, mostly through South Asian firms operating out of neighboring India or Sri Lanka. These services were largely focused on providing marine and shipping insurance, given the Maldives' dependence on trade via sea routes.

2. Post-Independence Development (1965–1980s): Establishing a Foundation

After gaining independence in 1965, the Maldives began building its national economy, with fishing and tourism becoming the mainstays. During this period, the insurance market remained in its infancy, with most insurance services being provided by international companies, especially from Sri Lanka and India. The lack of infrastructure and formalized industries meant that there was minimal demand for comprehensive insurance solutions.

However, the booming tourism sector in the 1970s and 1980s led to an increased need for specialized insurance products, particularly related to marine, travel, and hospitality industries. Resorts, hotels, and foreign investors required property insurance, liability insurance, and coverage for business interruptions. These needs were met primarily by foreign insurers.

3. 1990s–2000s: Formalization and Local Market Growth

The 1990s marked a turning point in the Maldives insurance market as the government began focusing on formalizing and developing the financial sector. The Maldives Monetary Authority (MMA) started taking steps to regulate financial institutions, including insurance companies. This period saw the establishment of the first domestic insurance firms, offering limited but growing ranges of insurance products.

Key Developments in This Period:

- **Formation of Domestic Insurers:** The Maldives saw the entry of its first locally based insurance companies. These firms focused on offering basic insurance products such as motor, marine, and property insurance, with limited life insurance offerings. However, a large portion of the market continued to be dominated by foreign insurers, especially for more complex risks.
- **Growth of Tourism Insurance Products:** As tourism became the backbone of the economy, the demand for insurance in the tourism and hospitality sectors grew significantly. Resorts and businesses began seeking protection for property, liability, and marine risks. Travel insurance, covering tourists for health emergencies and travel disruptions, also started gaining traction.
- **Entry of International Insurance Brokers:** Although local insurers were becoming established, many large businesses continued to rely on international brokers to arrange more complex insurance solutions. International brokers, particularly from Sri Lanka and Singapore, helped place coverage for Maldivian businesses in global reinsurance markets.
- **Compulsory Motor Insurance:** As the capital city, Malé, developed, there was an increase in vehicle ownership, leading the government to introduce compulsory motor insurance for all vehicle owners. This move boosted the penetration of non-life insurance in the market.

4. 2000s–2010s: Market Expansion and Regulatory Evolution

The 2000s saw significant expansion in the Maldives insurance market, supported by a more robust regulatory framework and the increasing sophistication of the domestic economy. The government recognized the need to develop a financial services sector that could support economic growth, particularly in tourism, infrastructure, and construction.

Key Drivers of Growth:

- **Establishment of the Insurance Regulatory Framework:** In 2004, the Maldives Monetary Authority (MMA) was granted regulatory authority over the insurance sector. This marked a critical step in formalizing the insurance industry. The MMA introduced regulations aimed at improving market transparency, ensuring solvency, and protecting policyholders. Key legislation was also passed to govern the licensing and operations of insurers and intermediaries.
- **Local and Foreign Insurers Operating Together:** While the local insurance market grew, foreign insurers continued to play a significant role in covering large risks, such as those related to tourism infrastructure, aviation, and marine trade. However, local companies began to expand their product offerings, including life insurance, health insurance, and corporate insurance solutions.
- **Development of Life Insurance Market:** Life insurance started to gain popularity in the Maldives during the 2000s. Local insurers, alongside foreign players, began offering term life insurance, savings plans, and investment-linked life insurance products, especially targeting the growing middle class and expatriates working in the tourism and service industries.
- **Health Insurance Growth:** The rising demand for health services, both from locals and expatriates, led to the expansion of the health insurance market. Private health insurance plans were introduced by both local and foreign insurers, providing coverage for medical expenses, hospital visits, and emergency treatments. This trend was bolstered by the government’s efforts to improve healthcare services across the country, including the construction of new hospitals and healthcare facilities.
- **Catastrophe Risk Insurance:** Given the Maldives’ vulnerability to natural disasters like tsunamis and rising sea levels, insurers began developing products tailored to cover climate-related risks. The 2004 Indian Ocean tsunami, which devastated parts of the Maldives, highlighted the importance of catastrophe insurance and pushed both the government and businesses to seek better protection against such events.

5. Recent Trends (2010s–Present): Digitalization and Innovation

The Maldives insurance market has evolved rapidly over the last decade, with new technologies, regulatory enhancements, and an increasing focus on risk management. The market remains small in comparison to other South Asian countries, but it has seen steady growth.

Key Features of the Current Market:

- **Digital Insurance Platforms:** The rise of digital and mobile technology has transformed the way insurance products are distributed in the Maldives. Insurers have started using digital platforms to reach customers, process claims, and offer policy renewals. Given the geographic challenges of the Maldives, with its dispersed islands, digital services have proven essential in expanding insurance coverage to remote areas.
- **Regulatory Enhancements:** The Maldives Monetary Authority (MMA) has continued to strengthen the regulatory framework governing the insurance market. New regulations have been introduced to improve solvency margins, capital adequacy, and consumer protection. The MMA also monitors the market to ensure compliance with international insurance standards.
- **Marine and Aviation Insurance:** Given the importance of tourism, trade, and transportation, the demand for marine and aviation insurance has remained high. Insurers offer coverage for boats, yachts, fishing vessels, and commercial aircraft, which are integral to the Maldives’ economy.
- **Microinsurance Initiatives:** In recent years, there has been a growing focus on financial inclusion in the Maldives. Microinsurance products, designed to be affordable and accessible to lower-income populations, have been introduced to provide coverage for basic health, life, and property risks. These products target small-scale farmers, fishers, and rural households, helping them mitigate risks associated with their livelihoods.
- **Risk Management for Climate Change:** The Maldives remains at the forefront of discussions on climate change, particularly the threat posed by rising sea levels. Insurers are increasingly involved in offering solutions for climate risk management, including policies that cover infrastructure damage due to flooding, coastal erosion, and extreme weather events. There is also a growing demand for business interruption

insurance, which is particularly important for resorts and tourism-related businesses that are vulnerable to climate shocks.

- **Corporate and Construction Insurance:** With the growth of infrastructure projects, particularly those related to tourism development, there has been an increasing demand for corporate insurance products. Construction insurance, liability insurance, and property coverage for new resorts, airports, and harbors are essential as the country continues to attract foreign investments.

Insurance Supervision:

Insurance Regulator

The insurance industry of Maldives is regulated and supervised by Maldives Monetary Authority MMA

In accordance with the provisions of the Presidential Decree no 2002/6 dated 16th January 2002, the Maldives Monetary Authority (MMA) as the designated competent authority has sole responsibility for the regulation and supervision of the insurance industry. The Maldives Monetary Authority (MMA) is the central bank and the main regulator of the financial sector in the country. Established in 1981, the MMA derives its scope, regulatory powers, and mandate from the 1981 MMA Act. The MMA performs the functions of state management for currency, banking activities and foreign exchange; performs the central bank functions for issuing money, bank of credit institutions and providing monetary services to the government. It supports government's monetary policy; ensures the safety of banking operations and the system of credit institutions; ensures the safety and efficiency of the national payment system; and contributes to promoting socio-economic development. The MMA is responsible for supervising the insurance market in the country. It has the power to grant and withdraw licenses and has the authority to issue the regulatory framework (decrees, circulars and decisions) which provides guidelines for insurers and intermediaries, covering both the life and non-life insurance, as well as Takaful segment.

In this regard the MMA has the power to:

a) Make further orders and regulations to give full effect to the provisions of these regulations;
b) Amend or revoke any such orders and regulations;
c) Impose sanctions, fines and penalties on authorised undertakings, insurance agents and insurance brokers. And where appropriate its directors and officers for contraventions or violations of the provisions of these regulations;
d) Prescribe the level of fees that should be paid by an undertaking or intermediary to the MMA for the regulatory and supervisory services it provides;
e) Prescribe who can write insurance business or act as market intermediaries (for those who write insurance business), in the State and the basis on which an authorisation to do so shall be granted;
f) Attach conditions to the granting of an authorisation;
g) Prescribe the returns and documents to be submitted by the holder's of an authorisation to write insurance, reinsurance or act as an intermediary and request any additional information as may be required;
h) Require any return or document submitted by an undertaking, agent or broker to be attested by a person of professional standing specified by the MMA. And where appropriate by the directors and such officers of the insurance undertaking, agency or brokerage as the MMA may prescribe;
i) Require that any such return or document shall be published in such a manner as the MMA sees fit;
j) Gather, collect and disseminate in whichever way it deems appropriate, data, statistics and financial information on the insurance sector in the Maldives;
k) Make orders and regulations concerning the books and records to be kept by authorised undertakings and intermediaries;
l) Make further regulations concerning the manner in which the insurance undertaking is managed; and

The MMA may make further regulations for the proper exercise of its supervisory function over insurance undertakings and market intermediaries under these regulations, in respect of the following:

a) The calculation of technical or mathematical reserves representing underwriting reserves;
b) The minimum level of capital to be maintained by an insurance undertaking;
c) The valuation of assets of an insurance undertaking;
d) The nature and spread of assets representing underwriting liabilities and the localisation and matching of such assets;
e) The calculation of underwriting liabilities;
f) The level, nature and extent of all reinsurance arrangements entered into by an authorised undertakings including information that undertakings must supply in respect of their reinsurance arrangements;
g) The prohibition or limitation of investments of a specified class or description;
h) On-site inspections;
i) The percentage of distributed surplus to policyholders;
j) The designation of certain classes of insurance as compulsory insurance and the prescription of any conditions and general provisions that should apply to such compulsory insurance;
k) The establishment and imposition of maximum or minimum tariff rates and premiums for any class of insurance business;
l) The imposition of penalty technical provisions;
m) Policy conditions;
n) The level of premiums;
o) The payment of commissions; and
p) The level of fees charged by insurance undertakings and intermediaries.

❖ Key Insurance Legislations & Regulations:

The insurance industry is regulated by the MMA under the powers provided to it in the MMA Act of 1981. The Insurance Industry Regulation of 2004 and insurance guidelines set out specific criteria for authorization and other regulatory requirements to undertake business as insurers and insurance intermediaries in the Maldives.

The legal framework for insurance business activities in the Maldives is being improved, moving towards compliance with international standards of regulation, management, and supervision of insurance business activities. Currently, there is no dedicated law on insurance in the Maldives. The insurance companies are licensed and operating under the primary law of 1981 MMA Act. This, however, comes with limitations both for MMA to effectively regulate the insurance entities as well as the industry which is yet to flourish due to limitations under the current legal framework.

❖ Types of licenses issued in the Maldivian insurance industry

The different types of insurance licenses issued in the Maldivian insurance industry are licenses for life or non-life insurance business, license for reinsurers, composite insurance, and license for intermediaries.

Licenses for life or non-life insurance business in the Maldives

Under this, insurers provide life insurance licenses for different types of life insurance and non-life insurance licenses for aircraft insurance, vessel insurance, goods-in-transit insurance, legal expenses insurance, assistance insurance, personal accident insurance, and so on.

License for reinsurers in the Maldives

Reinsurers are insurance companies that sell insurance policies to other insurance companies, protecting them from the risk of unexpected financial losses. A reinsurer is not permitted to operate in any type of insurance business in the Maldives, without the permission of the MMA.

Composite insurance license in the Maldives

Specific provisions on the issuance of a license for the operation of a business in both life and non-life insurance classes are not stipulated in the Insurance Industry Regulation. However, with the enactment of the new Insurance Supervision Act, composite insurance licenses will not be issued in the country by the MMA. In addition, composite insurers operating at present must separate their life business from the non-life business after the enactment of this act within a timeframe as stipulated in the act.

License for intermediaries in the Maldives

Intermediaries act as distributors of insurance or reinsurance products and services. An intermediary sells, solicits, or negotiates insurance contracts with customers on behalf of firms for compensation. Intermediaries also counsel customers and provide advice on various insurance products. Insurance agents, brokers, risk managers, insurance investigators, and claims-settling agents also operate as intermediaries

- ❖ Most of the insurers in the country are licensed as non-life (general) insurers, although a single insurer has been licensed to conduct life insurance services and has been transacting life insurance business.

- ❖ Insurance in the Maldives is distributed through both direct and indirect channels. Most of the insurance companies have a traditional-style network of offices/branches mainly in the Capital City. The indirect distribution channel is through intermediaries including agents and brokers. Certain emerging distribution channels, such as bancassurance, are also now being used by insurers. However, the insurers generally rely on the agent networks with a direct outreach to the insurance customers. This provides an added advantage as the small businesses and customers can access insurance services across the country. The online distribution channel is developing in the Maldives, yet it is necessary to develop new platforms for this activity.

- ❖ MMA reported that the average risk retention of the Maldives' insurance industry has remained at 34.8% over the last five years, with an average net claim ratio of 43.5% and the net combined ratio of 72.7%. There is a wide range of products and classes of insurance provided by the Maldives' insurers, from motor to property to marine. However, a few insurers also specialize in specific products for example customized covers for tourist resorts.

- ❖ Most of the insurers invest in safe and short-term investments, mainly in fixed term deposits held with various with depository corporations, securities and equity markets. Investments in stocks and bonds are not uncommon, though stock investments are more common in blue-chip companies, despite investments in such equities being less liquid in the Maldives. The solvency regulations are yet to be issued by the regulator, thus currently there are no investment limits on the proportion of investments to insurer's equity in terms of the allocation of assets in each portfolio.

- ❖ There is no locally domiciled reinsurance company in the Maldives. Depending on the insurance company and type of insurance lines, the reinsurance cession ratio ranges from 10% to 90%, though the average retention ratio has remained 35% over last five years. There is a wide variety of prominent international reinsurers doing business in the Maldives for large scale insurance products, though there is a lesser reliance on reinsurance in small-scale retail insurance products as these are usually retained by the local primary insurers.

- ❖ As there are no solvency regulations and insurers do not have any restrictions to retain specific levels of risk or maintain a specific percentage of equity. Therefore, it cedes to the reinsurers as part of their own risk management strategy.
  Generally smaller risks are retained by the local insurers but there is no standard pattern. Reliance on reinsurance varies from company to company. Stop-loss reinsurance arrangement is not common but some companies are using it. About 70% of reinsurance premiums are ceded in the form of treaty while remaining are in the form of facultative reinsurance.

❖ The Regulatory provisions govern the insurance sector in Maldives:

- *Regulations*
  - Insurance Industry Regulations (2004)
  - Regulation for Life Insurance Business and Family Takaful Insurance Business on Prevention of Money Laundering and Financing of Terrorism
  - Regulation for the Provision of Annuity by Insurance Companies
  - Regulation on Charges and Fees Payable by Financial Institutions
  - Regulation on Corporate Governance for Banks, Insurance Companies and Finance Companies
  - Risk Management Guidelines for Banks, Finance Companies and Insurance Companies

- *Register Of Insurance Providers*
  - Register of Insurance Companies
  - Register of Insurance Intermediaries

- *Licence Application Forms*
  - Application Form for Insurance Agents
  - Application Form for Insurance Brokers

- *Insurance Guidelines*
  - Guideline on Prudential Requirements for Insurance Undertakings
  - Guidelines for the Administration of Insurance Agents – 2010
  - Guidelines for Insurance Brokers 2011
  - Guidelines on Fit and Proper Criteria for Insurance Undertakings

- *Circulars*
  - Fitness and Propriety Assessments
  - Submission of Strategic Plan and Budget
  - Submission of quarterly returns
  - Capital Requirements and Compliance
  - Notifying MMA in the absence of CEO of the Insurer
  - Submission of Audited Financial Statements
  - Regulation on charges and fees payable by banks and financial institutions
  - Recruitment of Local Staff
  - Takaful operators ceding to conventional reinsurance
  - Insurance Policies in Relation to Banks' Products
  - Clarity in stating the premium figure
  - Aiding unauthorized insurance intermediaries in the sale of insurance policies

➢ Compulsory Insurances

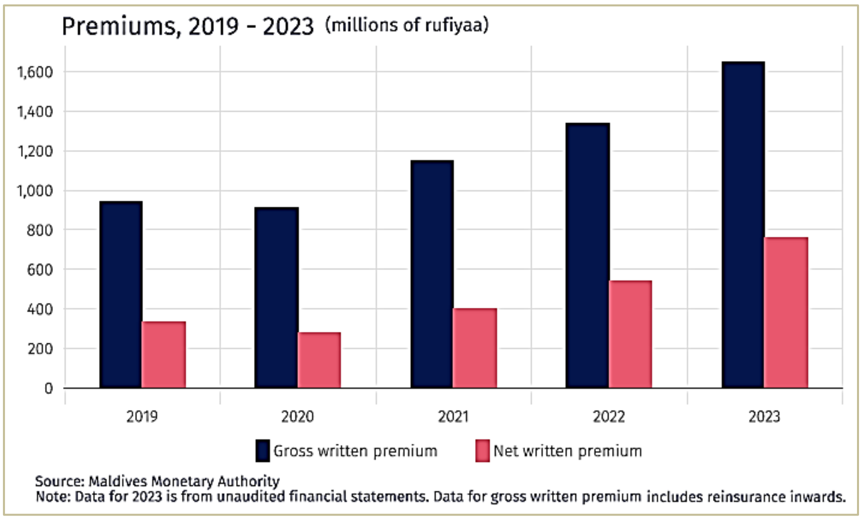
List of Compulsory Insurances

- Motor Third Party Liability
- Expatriates Health Insurance
- Fire and Allied Perils cover for hostels and guesthouses
- Hull – Minimum total loss cover including wreck removal

(B) MALDIVES: Insurance Market Statistics & Performance

Number of insurance companies:

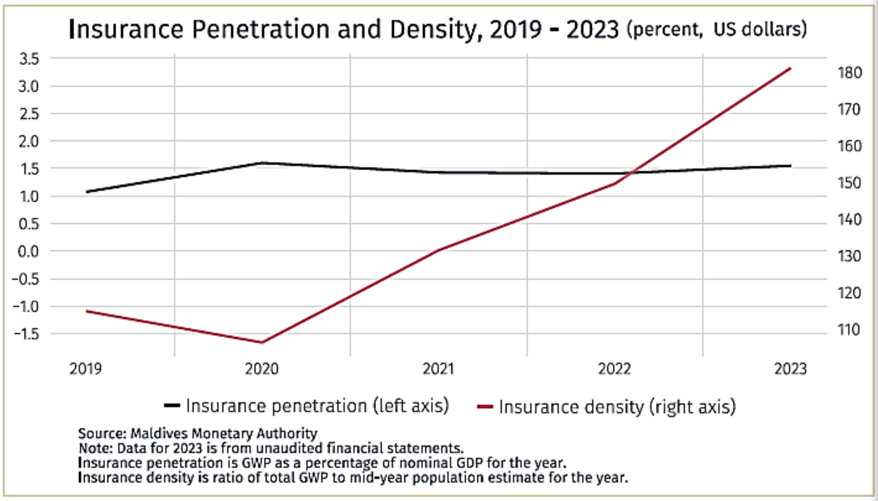
5 Insurance Companies, | **10** Insurance Brokers, and | **60** Insurance Agents.



During the year 2023, the general insurance sector exhibited robust performance and maintained sound prudential indicators. The volume of insurance policies sold saw an annual increase of 11%, as a result of which the

GWP saw a notable increase GWP excluding inward reinsurance increased by 21% from the previous year, reaching MVR1.5 billion. Including inward reinsurance, the GWP increased by 23%, totalling MVR1.6 billion by year-end. With an NWP to annualised equity ratio of 99% and an equity to assets ratio of 30%, the insurance companies have maintained a robust level of capitalisation relative to the business they underwrite and retain.

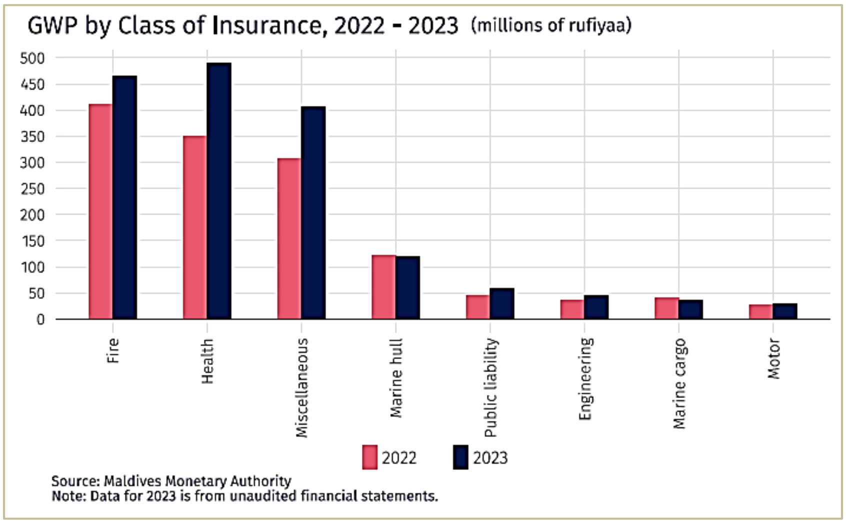
The upsurge in GWP has led to a simultaneous increase in insurance penetration and density, recognized as pivotal benchmarks indicating the maturity of the insurance sector. Insurance penetration, represented as the ratio of GWP to GDP, and insurance density, a measure of GWP per capita, both experienced notable improvements.

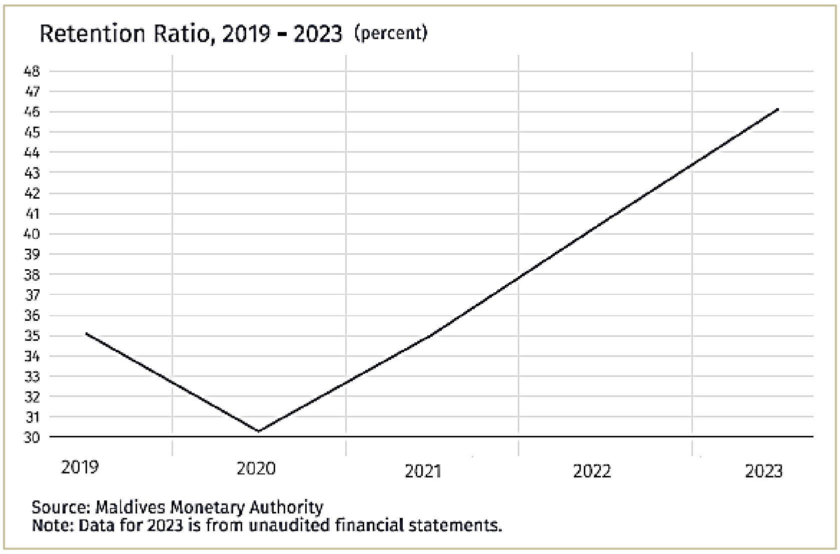


In 2023, the insurance penetration for general insurance business stood at 1.5%, while the insurance density rose from US$149.6 to US$181.1 per capita. The significant increase in GWP in 2023 was primarily led by the health insurance class, which contributed to over 45% of the GWP growth, and increased by MVR140.2 million (40%), continuing the upward trend observed in the past two years. This growth was mainly driven by insurers' adjustments in pricing to reflect the rising costs of healthcare services.
Additionally, fire insurance, contractors' all risk, and public liability classes also saw moderate year-on-year increases in GWP, totaling MVR53.3 million, MVR14.6 million, and MVR13.2 million, respectively.

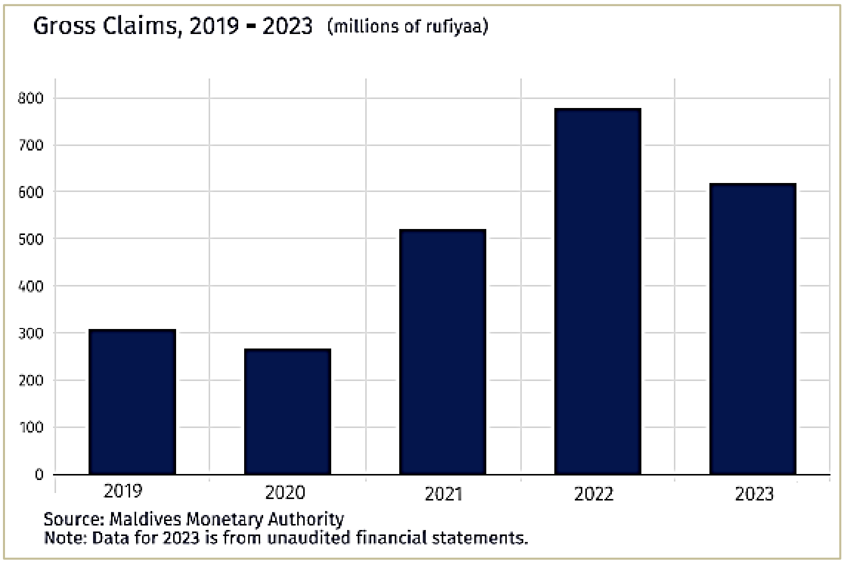
In 2023, the health insurance class accounted for the largest share of the total GWP distribution at 30%, followed by fire insurance at 28%, and marine insurance at 10%.

The retention ratio, measured by the NWP relative to GWP, serves as a key indicator of the extent of reinsurance utilised. This ratio varies based on the lines of business, reflecting diverse risk levels and insurers' corresponding risk appetites. Typically, insurers opt to retain a smaller fraction of premium for classes of insurance with a higher claim's volatility, while retaining a larger percentage for those with lower volatility. Throughout the year, the retention ratio for the general insurance industry experienced growth from 41% to 46%. The significant increased premiums in the health insurance class, which typically has a high retention ratio, amounting to 98% in 2023, was the primary contributor towards this increase.





In 2023, there was a notable decrease of MVR153.9 million (20%) in the aggregate gross claims compared to the previous year. However, the net incurred claims, which represent the claims burden borne by local insurance companies after reinsurance adjustments, saw a substantial increase of MVR171.1 million (63%) compared to 2022. This increase in net incurred claims in contrast to the trend of gross claims is primarily due to the increase in claims from the health class, which is almost entirely borne by the local insurers. The increase in health claims is largely attributed to medical inflation.

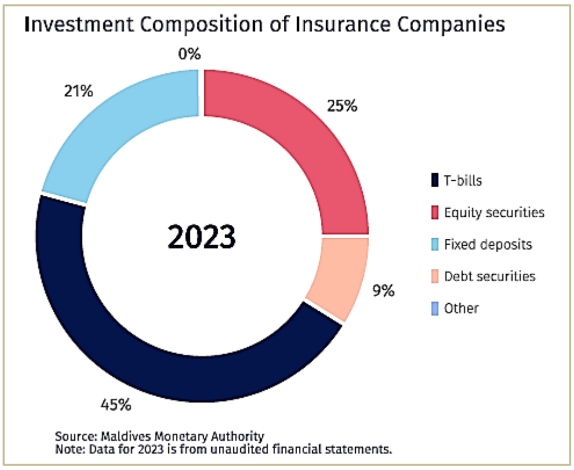


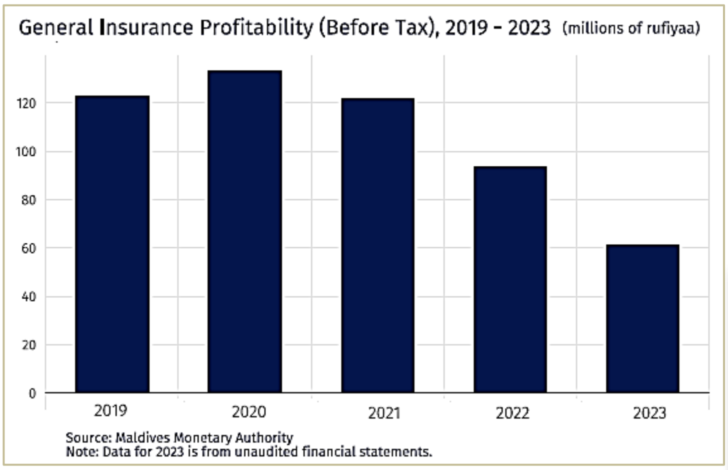
In terms of the asset composition of the general insurance industry, investments constituted 32% of total assets, with reinsurance recoverable and premium receivables comprising 19% and 13% of assets, respectively. At the end of 2023, the majority of insurance companies' investments was in local treasury bills, equity securities, and fixed deposits, accounting for 45%, 25%, and 21% of total investments, respectively. The absence of Shari'ah-compliant investment instruments has resulted in a significant portion of Takaful funds being invested in fixed deposits.

The net loss ratio, calculated by dividing net incurred claims by net earned premium, is a key indicator of underwriting profitability, and the ratio increased from 58% in 2022 to 66% in 2023 for the general insurance industry, indicating reduced profitability on account of increased net claims. In addition, underwriting expenses increased year-on-year as well, contributing further to the decline in profitability.

As a result, pre-tax profits of the general insurance sector decreased by 35% to MVR 61.0 million.

Key profitability ratios, ROA and ROE, stood at 1.9% and 6.5%, respectively.





MALDIVES MONETARY AUTHORITY

➢ Top Life Insurance Companies in the Maldives (2022 & 2023)

1. **Allied Insurance Company of the Maldives Ltd:** Leading life insurer in the Maldives, offering a range of life insurance and pension products.
2. **LIC (Life Insurance Corporation) Maldives Pvt. Ltd:** A key player with strong growth in life insurance policies, offering traditional life, endowment, and unit-linked insurance products.
3. **Dhivehi Insurance:**: Emerging player in the life insurance sector, focusing on individual and group life insurance solutions.
4. **Amana Takaful Maldives (Family Takaful):** Provides Shariah-compliant life (family Takaful) insurance products, catering to the Islamic insurance market segment.
5. **Maldives Islamic Bank (Takaful Unit):** Focuses on Islamic life insurance products, growing its presence through bancassurance channels.

➢ Top Non-Life Insurance Companies in the Maldives (2022 & 2023)

1. **Allied Insurance Company of the Maldives Ltd:** Dominant player in non-life insurance, offering comprehensive coverage in motor, property, marine, and health insurance.
2. **Amana Takaful Maldives (General Takaful):** Leading provider of Shariah-compliant general insurance (Takaful) products, covering motor, property, and health insurance.
3. **Dhivehi Insurance:** Rapidly expanding in the general insurance market, focusing on motor, travel, and property insurance.
4. **State Trading Organization (STO) Insurance:** Strong presence in corporate and marine insurance, catering to large-scale commercial clients.
5. **LIC (Life Insurance Corporation) Maldives Pvt. Ltd:** Expanding its portfolio to include some non-life products, primarily focusing on health and travel insurance.
6. **MIB Insurance:** Provides specialized non-life insurance solutions, particularly in property and casualty.

➢ Key Market Insights (2022 & 2023)

- **Allied Insurance Company of the Maldives Ltd.** remains the dominant player in both life and non-life insurance segments.
- **LIC Maldives Pvt. Ltd.** has a strong foothold in life insurance but is also diversifying into health and travel insurance.
- **Amana Takaful Maldives** is focusing on growing its Takaful products, catering to the Islamic insurance market.
- Emerging players like **Dhivehi Insurance** and **MIB Insurance** are increasing their market share in niche segments.

❖ Challenges and Opportunities

While the Maldives insurance market has shown steady growth, several challenges remain:

- **The lack of a comprehensive insurance act** is a major obstacle. Implementing a robust insurance law would enhance industry transparency and consumer protection. The current draft law includes provisions for a consumer complaints process and the establishment of an Insurance Ombudsman for dispute resolution. Additionally, introducing legislation on Takaful would provide a fair regulatory framework for Takaful operators and address issues such as mandatory deposit requirements.

- **The need to develop local loss adjustment capacity** due to the scarcity of insurance loss adjusters, which poses a significant challenge to local risk management. This issue is exacerbated during insurance claim events, such as marine salvage operations, where the limited availability of local salvage operators can lead to disproportionately high claim costs for insurers.

- **The need to raising insurance awareness and education is crucial**, especially in areas like agricultural insurance and disaster risk insurance. Development partners, such as UNDP, can support these efforts by partnering with insurance companies and engaging with stakeholders in the tourism sector, agriculture, and island associations.

- **Low Insurance Penetration:** Insurance penetration remains relatively low compared to more developed markets. Public awareness of insurance products, particularly life and health insurance, is limited, especially outside urban centers.

- **High Reliance on Foreign Reinsurers:** Due to the small size of the domestic market, local insurers rely heavily on foreign reinsurers to cover large risks, particularly in the tourism and marine sectors. This reliance exposes the market to global reinsurance pricing fluctuations.

- **Climate Change Risks:** The Maldives is not one of the most disaster-prone countries globally, but it is highly vulnerable to climate change risks, which are increasing worldwide. Key threats include rising sea levels, saltwater intrusion, unpredictable flooding, and storm surges. Coastal flooding is a frequent cause of economic loss, especially since most of the population and assets are located in low-lying coastal areas. Climate change will significantly impact sectors like tourism, fisheries, agriculture, and water resources. Coastal erosion and saltwater intrusion will threaten tourism, agriculture, and water supplies.
    - ***The Maldives tourism industry*** is focusing on adaptation initiatives to address the risks posed by climate change and resource overexploitation from unsustainable tourism. As part of a fifth tourism master plan, the Ministry of Tourism emphasizes the importance of climate risk insurance to ensure the long-term sustainability of the industry. Currently, in the absence of such insurance, the Ministry manages contingencies through a trust fund, overseen by a committee from the Ministry of Finance and Ministry of Home Affairs. Rather than replacing the trust fund, the plan proposes using it to pay insurance premiums, reducing the need to cover full recovery costs from damages or losses directly.
    - ***Credit and financial risers***: The Maldives tourism industry faces financial risks due to vulnerabilities in the global tourism supply chain. A key example is the collapse of UK tour operator Thomas Cook, which left a large number of tourists stranded in the Maldives and resulted in unpaid bills to several resorts. This incident highlights the need for insurance and risk transfer solutions to protect both

tourists and the long-term sustainability of the industry. Such measures would help mitigate the financial impact of similar disruptions in the future.

- ***Fire, property and third-party risks:*** In the Maldives, where the economy heavily relies on tourism, there is a growing opportunity in guest houses, safaris, and homestays. However, these small but expanding businesses lack adequate insurance products to protect against risks like fire, property damage, and third-party liabilities. While some resorts have invested in risk reduction measures like seawalls, smaller businesses located near shorelines lack the resources for such costly adaptations, making them more vulnerable to adverse impacts. This underscores the need for tailored insurance solutions for these businesses.
- ***Professional indemnify:*** Tour operators in the Maldives face substantial risks that highlight the need for professional indemnity or liability insurance. Clients often experience setbacks in their travel plans due to factors beyond the operators' control, leading to costly consequences for the operators. Insurance is essential to cover these professional liabilities. Additionally, bundling travel insurance with tourism packages can protect travelers from cancellations or uncontrollable events, such as bad weather delaying seaplanes and causing missed onward flights. A national-level insurance scheme is recommended to protect the tourism sector's viability and reduce the financial burden on both operators and clients.
- ***Public and private assets:*** Disasters can have severe consequences for both public and private assets, but the loss of public infrastructure, particularly in critical sectors like energy, can have far-reaching impacts on the public. The Maldives' current strategy for financing the reconstruction of public assets is event-dependent and linked to its fiscal capacity. There is a need for compulsory disaster risk insurance for public assets, especially critical infrastructure. A government decree, developed in collaboration with the Ministry of Finance (MoF), National Disaster Management Authority (NDMA), and the Maldives Monetary Authority (MMA), would help address gaps in disaster risk insurance.
  A comprehensive database of public assets, including financial valuations, is crucial for decision-making, determining exposure, and setting insurance premiums. This would also aid in developing a national insurance portfolio for public assets, enabling economies of scale and lower insurance premiums. Insurers should provide technical assistance to public entities in designing disaster and climate insurance coverage. The government must prioritize assets for protection, and insurers need access to adequate data and tools to calculate premiums.
  Moreover, standardized property insurance policies should be developed with insurers and reinsurers to identify public property risk exposure and insurance needs. Budgetary allocations for insurance premiums should be institutionalized, ensuring disaster and climate risk insurance is included in government expenditures and planning. This approach will support cost-effective and long-term risk management.
- ***Agriculture insurance:*** Developing sustainable agriculture insurance solutions is essential for ensuring food security and agricultural sustainability. Despite the absence of agriculture insurance, it remains a key area for development, particularly in crop, livestock, and fisheries sectors. However, insurers and reinsurers have not explored this market due to limited risk assessment skills and a lack of understanding of farmers' needs. One effective way to promote agriculture insurance is through local distribution channels, such as island associations, which are close to farmers. A risk assessment of farmers is needed to offer suitable insurance products linked to existing services they use. Insurers and reinsurers also require support in terms of tools and capacity to calculate premiums and design appropriate products with minimal exclusions. To encourage farmers, many of whom are low-income earners, government subsidies will be essential in the short and medium term. However, for long-term sustainability, these "smart subsidies" should focus on reducing transaction costs and facilitating product delivery. Support from development partners will be crucial for the success of these initiatives.

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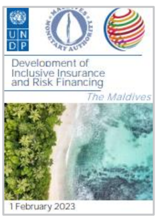

Book Review

XPRIMM Insurance Report Full Year 2023

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SUMMARY

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