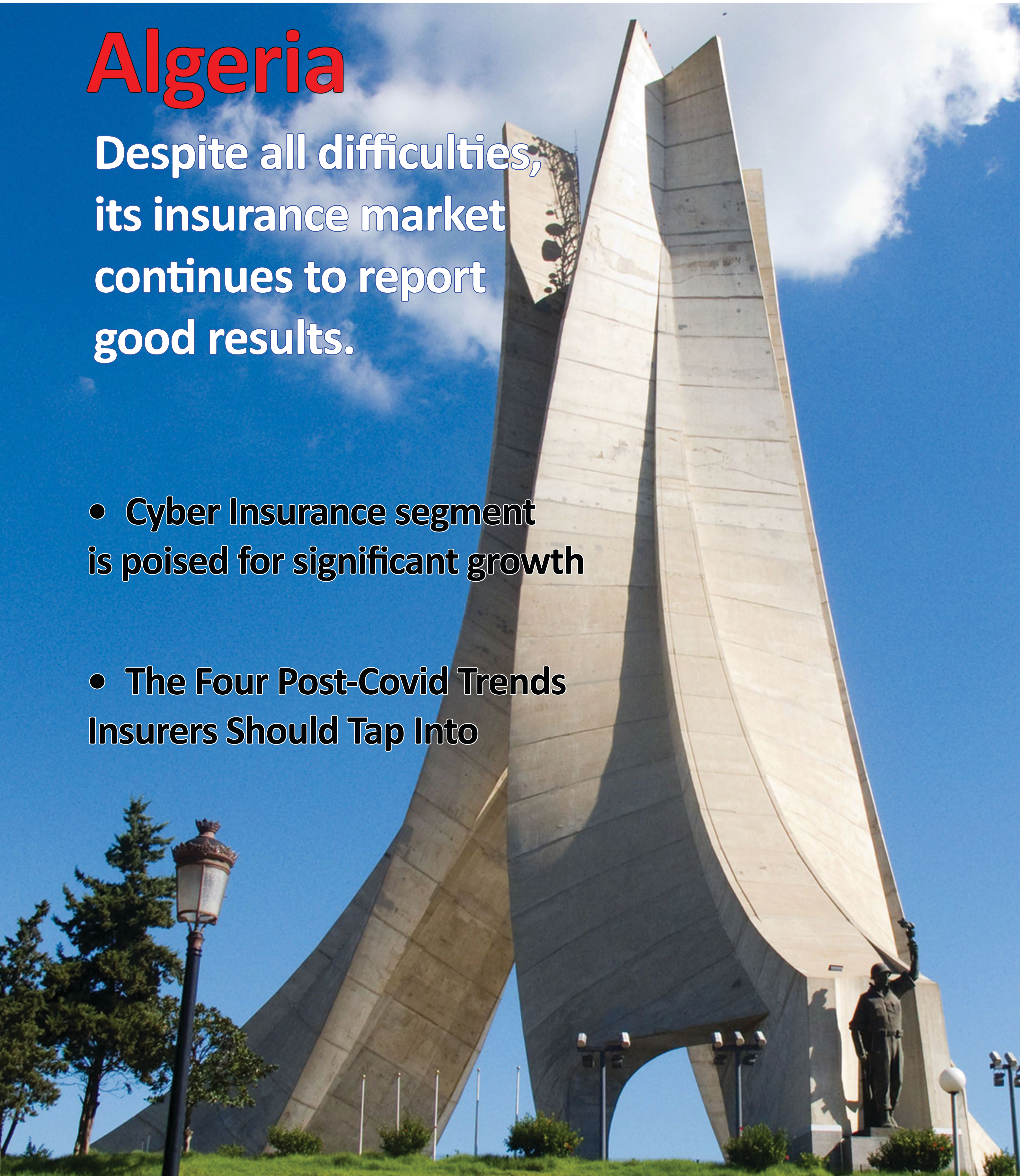
FEDERATION OF AFRO-ASIAN INSURERS AND REINSURERS
F.A.I.R.

FAIR Review

Issue No. 184 - June. 2020



Algeria

Despite all difficulties, its insurance market continues to report good results.

- **Cyber Insurance segment is poised for significant growth**

- **The Four Post-Covid Trends Insurers Should Tap Into**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FAIR Review

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June 2020

FAIR in Brief

Federation of Afro-Asian Insurers & reinsurers "FAIR" is a priceless instrument and media for cooperation, and our responsibility is to make it more responsive, more effective and more dynamic. FAIR was established in September 1964, to promote cooperation among insurance and reinsurance companies in Africa and Asia, through the regular exchange of information, experience and the development of business relations.

Vision:
FAIR aims to become a driving force international insurance cooperation by promting collaboration and adoption of international standards.

Mission:
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.

FAIR's added value is based on:
- Wide recognition of brand and name of FAIR on the world scene,
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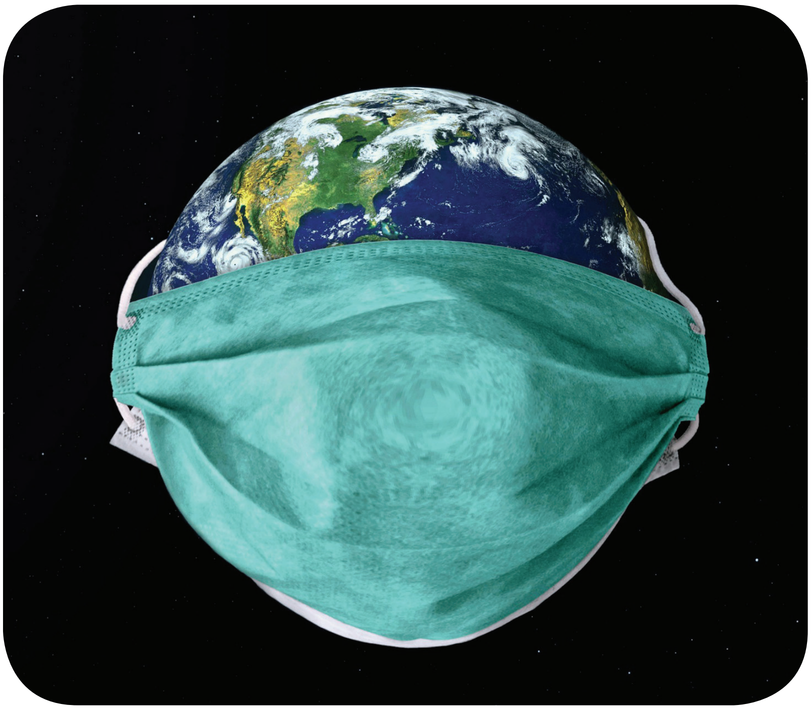
Contents

Global News

• *Covid-19 industry loss estimate hiked 50% by UBS on non-US BI uncertainty*

by STEVE EVANS

Analysts from investment bank UBS have added 50% to their estimate for the eventual insurance and reinsurance industry loss from the Covid-19 coronavirus pandemic, lifting the top-end of the range to $60 billion.



That still sits below the top-end of an estimate from specialist insurance and reinsurance focused equity analysts Dowling & Partners, who as we explained earlier this week said the property and casualty (P&C) insurance industry loss from Covid-19 pandemic related claims alone could be between $40 billion and $80 billion.

UBS had initially said it estimated the industry-wide loss from the coronavirus outbreak would be between $22 billion and $42 billion, across insurance and reinsurance.

However, now the analysts cite an understanding that business interruption claims will be more of an issue outside of the United States, which has led them to raise the loss estimate.

UBS has raised its estimate for non-U.S. business interruption to between $7 billion to $22 billion from $5 billion to $15 billion. In addition, the analysts forecast between $8 billion and $16 billion in credit insurance losses, largely falling to reinsurance carriers. It's interesting that UBS has focused on business interruption outside the U.S. as a key driver in the increase to its estimate.

It's understood that there are regions of Europe and other countries where business interruption is not strongly worded and exclusions seen as lacking, which could drive more claims through to insurers and ultimately reinsurance capital. So, UBS now believes that the industry insured loss from Covid-19 will be between $30 billion and $60 billion, representing a 50% uplift to both ends of its range.

Taking the mid-point estimates from UBS and Dowling & Partners would give a range from $45 billion to as high as $60 billion, which would seem reasonable for the P&C insurance and reinsurance market to expect to take.

Others are suggesting higher, but really for the industry toll to rise much above these figures you are going to have to see some sort of legal effort in the United States to force business interruption into more policies than are currently expected to face exposure to the pandemic. If that happened then the industry toll could easily be seen to rise towards the $100 billion mark, some sources suggest. But that still remains an outside possibility at this time.

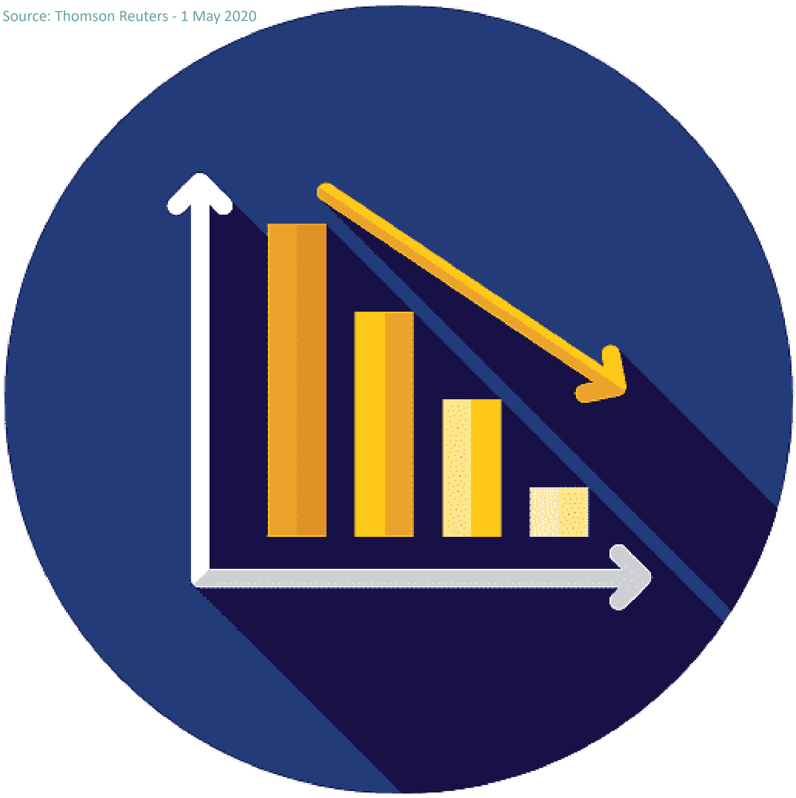
The move by UBS' analysts to increase their industry loss estimate so significantly suggests they see the potential for the insurance and reinsurance industry to take a higher claims burden than many had initially anticipated from regions outside the U.S.

As we explained the other day, some insurance-linked securities (ILS) fund managers have proactively marked-down a handful of collateralised reinsurance positions, seeing a risk of potential exposure and perhaps even some losses caused by the Covid-19 pandemic. We understand that in a number of cases this is down to the potential BI exposure outside the U.S. ■

Source: Thomson Reuters - 1 May 2020

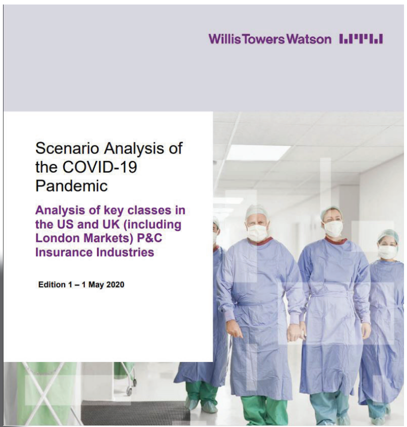
UBS

Dowling & Partners



• *COVID-19 Insurance losses seen higher than 9/11 claims:* WTW

Willis Towers Watson



https://bit.ly/2yCrszf

Alice Underwood

Insurance broker Willis Towers Watson estimated property/casualty insurance losses between $32 billion and $80 billion across key classes in the United States and United Kingdom from the novel coronavirus, surpassing claims from the 9/11 attacks.

A report by the broker showed early estimates for U.S. and U.K. business interruption, contingency, U.S. directors and officers, U.S. employment practices, liability, U.S. general liability, U.S. mortgage, trade credit and surety, and U.S. workers compensation.

An “optimistic” scenario or a return to a pre-COVID-19 state following three months of social distancing, would mean $11 billion of insured losses, while a “moderate” scenario, a gradual return following six months of social distancing, would mean a bill of $32 billion to insurers.

Social distancing for a year under a “severe” scenario — a health impact approaching the scale of the 1918 Spanish flu pandemic — will mean $80 billion in COVID-19 insured losses, Willis said.

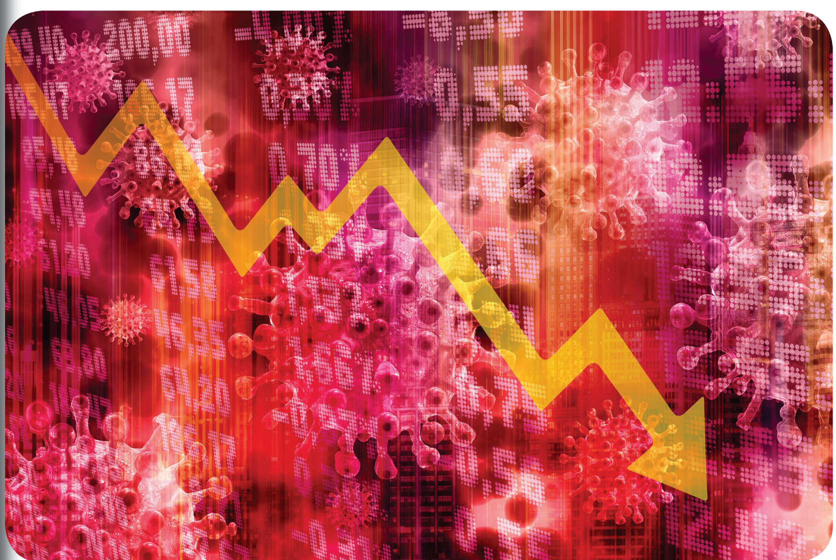
Willis also said it has modeled an extreme pandemic scenario, which could result in $140 billion of losses.

“Beyond its devastating human cost, the COVID-19 pandemic has swiftly upended economic activity around the world,” said Alice Underwood, global leader, insurance consulting and technology, at Willis.

“At this point, it appears that the industrywide level of general insurance loss could exceed that resulting from the 2001 World Trade Center event.”

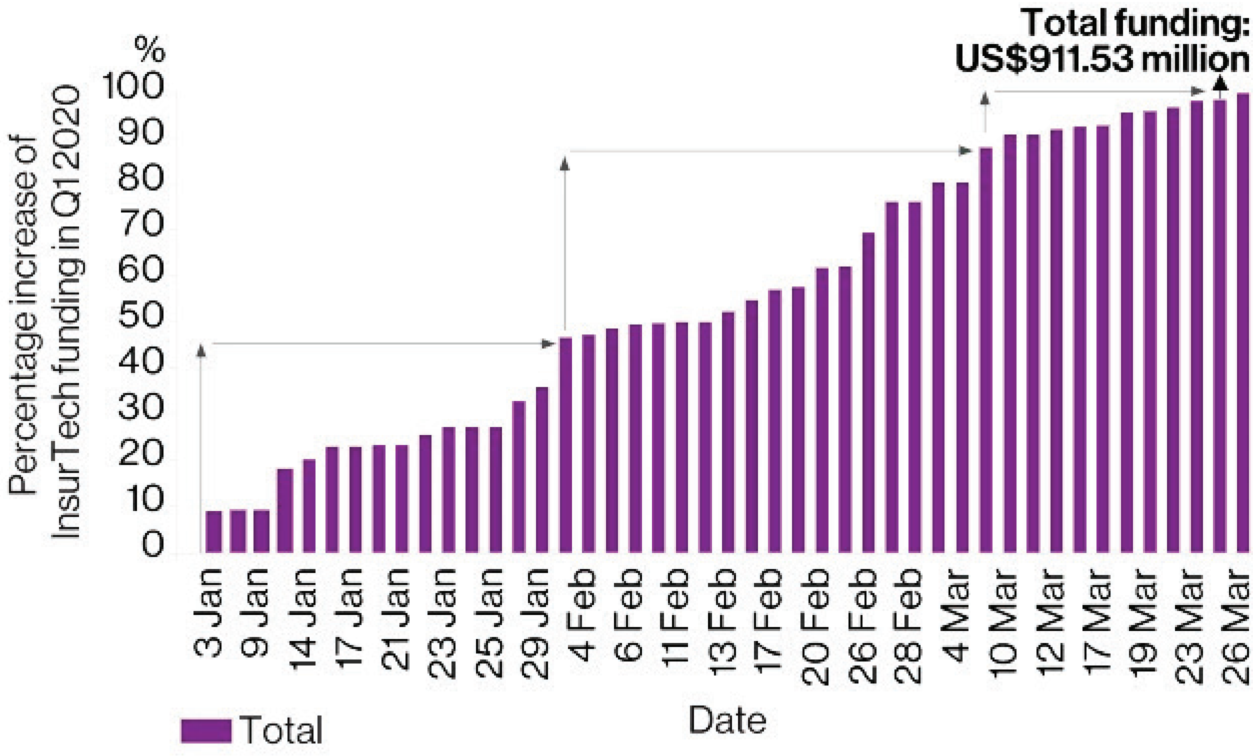
Given the potential scale and systemic nature of pandemic loss, talks about the need for some sort of government backstop to address future pandemic risks have already begun, Ms. Underwood said. ■

Source: Thomson Reuters - 1 May 2020



• *COVID-19 linked to 54% drop in Q1 insurtech funding:* WTW

by Matt Sheehan



A new report from Willis Towers Watson (WTW) has found that insurtech investment worldwide totalled about $912 million during the first three months of 2020.

At 96, deal count was up 28% over Q4 2019, but overall funding was down 54%, with analysts attributing the drop in part to the COVID-19 crisis.

Additionally, the quarter saw fewer 'mega-deals' worth more than $100 million, with a Series D issue by Policygenius representing the only deal to enter this territory.

WTW also found that seed and Series A financing was down 9% from the previous quarter, at $223 million, but early-stage deal count rose three percentage points to 51% of all deals.

Insurtechs focused on property and casualty (P&C) insurance increased their share of total funding to 83%, which marks the largest gap with life and health funding since Q3 2016.

B2B-focused companies accounted for 55% of recorded deals in Q1 2020, while the value of strategic investments by re/insurers fell 8% from Q4 2019 and 43% from its highest point, reached in Q3 2019.

"This has been a particularly interesting quarter for global

Andrew Johnston

Stephen Jones

InsurTech," said Andrew Johnston, Global Head of InsurTech at Willis Re. "It is clear that COVID-19 has had a material impact on later-stage investments, and (re)insurers are holding back.

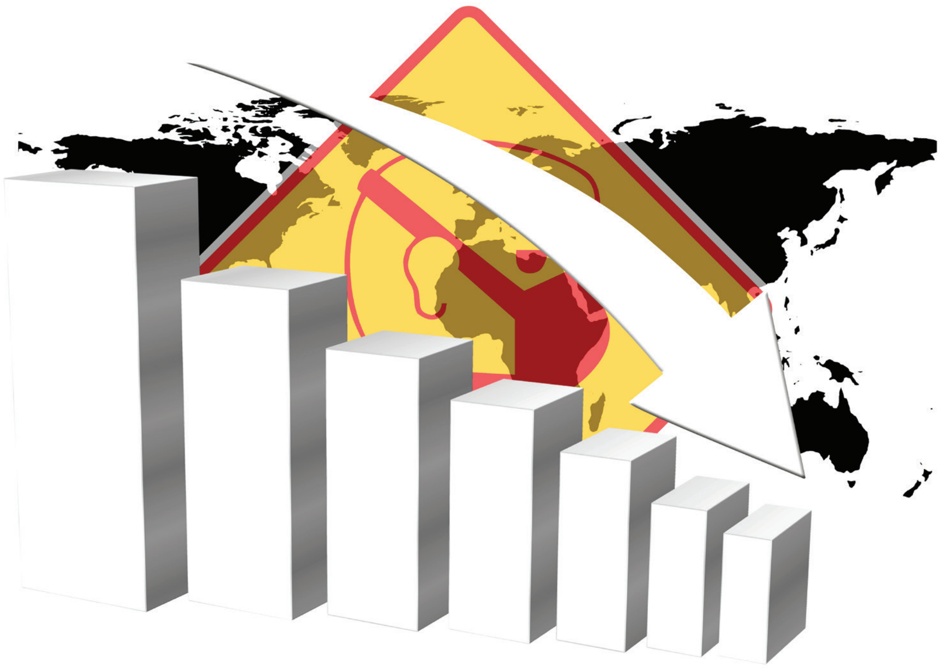
"Despite the very large percentage drop this quarter when compared with the last, we are still seeing a huge amount of activity in early-stage funding rounds, across a very large number of deals," Johnston continued.

"The relative downturn of (re) insurer participation in this round would explain why we have seen fewer megadeals, affecting the overall amount raised significantly, which is not surprising as (re)insurers increasingly participate in later stages. Again, COVID-19 is a likely culprit for less engagement from industry capital as (re)insurers focus their attention on other, perhaps more pressing issues."

Stephen Jones, UK P&C Insurance lead in the Willis Towers Watson Insurance Consulting and Technology business, also commented: "Motor insurers' focus on deploying emerging technologies has and will continue to be on operational efficiencies and customer experience across the various policy life stages, while seeking competitive advantage in areas of excellence very specific to insurance."

"Genuinely new product forms enabled by technology, on the other hand, will logically be focused on new and existing niches," he added. "The opportunities for insurers to use technology to enhance products and reduce costs are significant. Among incumbent insurers, reducing costs typically offers more bang for the buck than product proliferation." ■

Source: Reinsurance News (ReinsurenceNe.ws) – 4 May 2020



• *Covid-19 trade credit losses up to $46bn, reinsurers to take up to 30%:* **MS analysts**

Morgan Stanley

Trade credit insurance market losses due to the Covid-19 pandemic could reach as high as $46 billion, with reinsurers perhaps taking as much as 30% of the hit, according to analysts at Morgan Stanley.

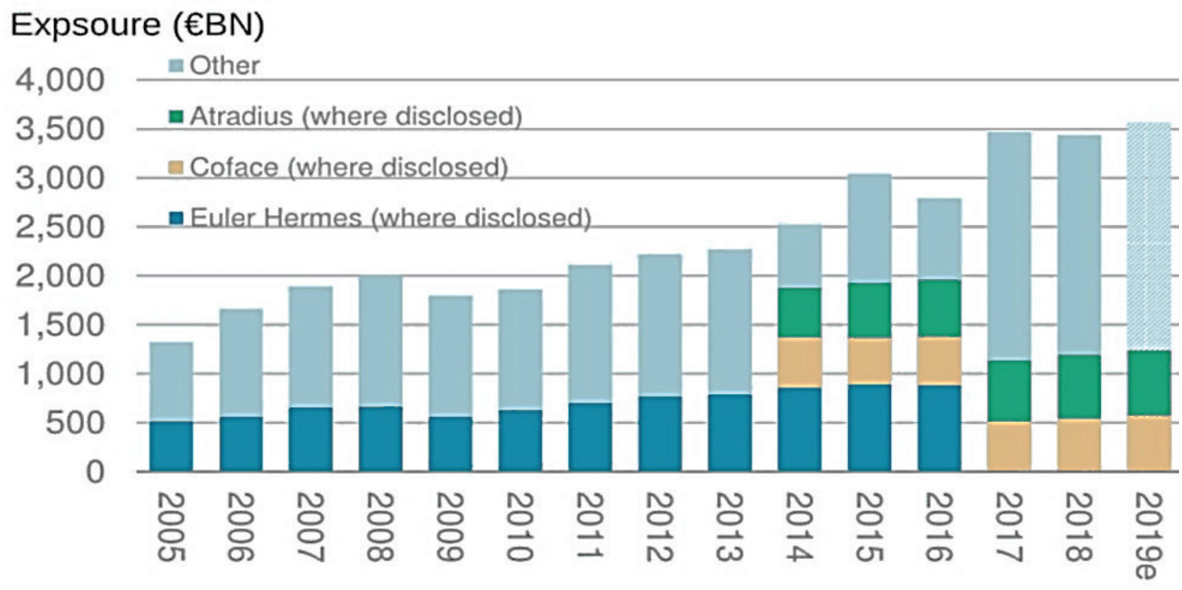
The analysts said in a report that their initial estimate for losses to primary credit insurers is between around $15 billion to as much as $46 billion over the next couple of years.

Based on historical data from primary insurers, the analysts believe that the trade credit reinsurance marketplace could pick up anywhere between 20% and 30% of the ultimate claims burden. The majority of the global trade credit insurance exposure is in the European marketplace, with the major European insurers writing the lions share, dominated by Euler Hermes (owned by Allianz), Coface and Atradius (owned by Catalana Occidente).

Morgan Stanley's equity analysts believe that losses per $ of exposure equivalent to what was seen in 2008 and 2009 (combined) implies a market loss of $22.4 billion, which could see primary insurers paying just under $19.5 billion of claims after the announced government intervention measures.

With Morgan Stanley's economists forecasting that Euro area GDP could fall by a huge 11% in 2020, the analysts said that an unscientific estimate would be for 2.5x's the GDP hit of 2008 and so perhaps 2.5x's the trade credit insurance losses.

On the reinsurance side, quota shares are likely to take the bulk, but excess of loss capacity has also increased



Source: Company data, Morgan Stanley Research estimates.

with niche products offering trade credit insurers reinsurance protection. A number of specialty reinsurers have significant trade credit exposure, including Bermudian player AXIS Capital that writes a book of business in Europe and is likely carrying relatively significant exposure as a result.

The analysts said that while there is a chance losses rise towards the upper-end of their estimates, they see the ultimate impact currently in the lower-half of the range. But if the GDP hit continues, or there is a second wave of Covid-19, then trade credit insurance losses would be expected to keep rising over the next two years.

The analysts estimate global trade credit insurance industry exposure to be some €3.6 trillion at year-end 2019. Given the expected massive decline in GDP in Europe, the analysts say this, "suggests that we shall see a meaningful increase in credit insurance claims given the historical relationship between GDP, insolvencies and credit insurance claims." ■

Source: Reinsurance News (ReinsurenceNe.ws) – 5 May 2020

• *Retroactive attack on BI policies for pandemic risks would pose material threat to insurance sector:* IAIS

By Adrian Ladbury

The International Association of Insurance Supervisors (IAIS) has warned legislators across the world that any efforts to retroactively open up business interruption (BI) policies to excluded Covid-19 losses would create "material" solvency risks for insurers and significantly undermine their ability to pay other types of claims.

The association said that if such efforts were allowed to proceed, it would threaten policyholder protection and financial stability and further aggravate the dire financial and economic impacts of the virus.

The IAIS also said that it favours the creation of alternative and probably state-backed insurance mechanisms to help cover future pandemics and stands ready to facilitate discussions on an international level.

"The Covid-19 pandemic has created a global public health emergency with severe human and economic consequences. Insurance is an essential service at this time of distress, providing protection against the heightened uncertainties created by the pandemic. For insurers to play this role, and to contribute to economic recovery, the stability of the

IAIS
INTERNATIONAL ASSOCIATION OF INSURANCE SUPERVISORS

sector is vital," said the association.

"To this end, the IAIS has been closely monitoring developments and actively coordinating with other standard-setting bodies and the Financial Stability Board (FSB) to assess the impact of Covid-19 on the global insurance sector. The IAIS is also committed to supporting the FSB's recently published principles for ensuring international cooperation and coordination of responses to Covid-19. Moreover, the IAIS is facilitating the sharing of information and discussion among its broad membership on supervisory responses to the impact of Covid-19," it continued.

The IAIS said that discussions of the supervisory responses to Covid-19 have highlighted the importance of effective policyholder protection and fair customer treatment at this difficult time. It said that it welcomes the variety of proactive steps taken by insurance supervisors and insurers in support of policyholders.

It pointed out that such efforts include implementation of alternative, non-face-to-face distribution and servicing arrangements, enabling flexible arrangements for premium payments, premium rebates and discounts on policies with significantly lowered risk exposure, and voluntarily enhancing cover/reducing premiums for essential workers.

Above all, the IAIS said insurers need to make sure claims are handled swiftly and clearly where the risks are covered within policies. "In circumstances where pandemic risks are covered by a policy, it is important that insurers pay out such claims in a prompt and efficient manner. Efficient claims handling and clear communication with policyholders regarding coverage for losses arising from Covid-19 should help deepen confidence and trust in the insurance sector and contribute to longer-term economic recovery efforts," it noted.

FSB FINANCIAL STABILITY BOARD

But the IAIS is strongly opposed to legislative efforts in the US and elsewhere to retroactively open up BI policies to pandemic risks that are excluded.

"At the same time, the IAIS cautions against initiatives seeking to require insurers

to retroactively cover Covid-19-related losses, such as business interruption, that are specifically excluded in existing insurance contracts. In such cases, the costs of claims against losses have not been built into the premiums that policyholders have paid for their insurance.

Requiring insurers to cover such claims could create material solvency risks and significantly undermine the ability of insurers to pay other types of claims.

Such initiatives could ultimately threaten policyholder protection and financial stability, further aggravating the financial and economic impacts of Covid-19," said the association.

"Relatedly, this widespread pandemic has highlighted the limits on the types of coverage that can reasonably be offered by the insurance sector alone.

Under such circumstances, the pooling and diversification of risks necessary to support viable insurance cover are difficult to achieve.

The IAIS, therefore, encourages efforts seeking potential solutions to protect businesses and individuals against these types of risk, and stands ready to help facilitate these discussions at the international level," added the IAIS. ■

Source: Commercial Risk Online – 11 May 2020

• *Insurance pricing up sharply in Q1:* Marsh

by Matthew Lerner

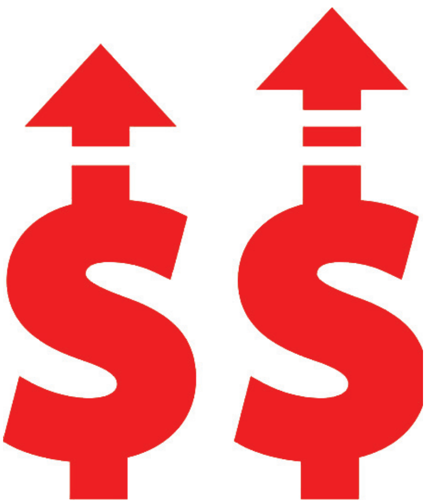
MARSH

Commercial insurance pricing increased 14% in the United States during the first quarter, compared with the year-earlier period, according to a report released Monday by Marsh LLC.

Property rates rose 21%, the most since the survey began in 2012, the broker said. This compared with a 4% increase in last year's first quarter and an 18% increase in the fourth quarter, Marsh data showed.

Casualty pricing increased 5% during the first quarter, compared with 2% a year earlier, as the excess liability market drove much of the overall casualty pricing movement, with average prices up 11%.

U.S. financial and professional lines pricing rose 23% compared with 3% a year earlier, driven by directors and officers pricing, which was up 44%, with 95% of clients ex-



periencing an increase, Marsh said.

Cyber insurance pricing rose 6%, the largest increase since 2016, Marsh said.

Auto pricing was up 10%, with 80% of clients experiencing an increase, while workers compensation pricing decreased 1%.

Global insurance prices rose for 10th consecutive quarter, surging 14%, compared with 3% a year earlier and 11% in the fourth quarter.

The first-quarter increase was the largest year-over-year gain in the Marsh Global Insurance Market Index since its inception in 2012, the broker said.

Pricing rose 21% in the United Kingdom and 23% in the Pacific, while continental Europe saw an 8% increase and Asia and Latin America and the Caribbean 6% each, the report said.

The COVID-19 outbreak "had an insignificant impact on pricing in the first quarter," Marsh said, adding, however, "We anticipate that COVID-19 will likely have an impact on pricing for the balance of 2020." ■

Source: Business Insurance Magazine - 11 May 2020

• *Lloyd's market outlines massive coronavirus payout to customers*

by Camilla Theakstone

LLOYD'S

In what are set to be historic losses for the global insurance industry following the far-reaching impacts of the pandemic, the market has likened the payout to catastrophes including 9/11, hurricanes Harvey, Irma and Maria.

John Neal

"The global insurance industry is paying out on a very wide range of policies to support businesses and people affected by COVID-19. The Lloyd's market alone is currently expected to pay claims amounting to some US$4.3 billion, making it one of the market's largest pay-outs ever," said John Neal, CEO of Lloyd's.

"What makes COVID-19 unique is the not just the devastating continuing human and social impact, but also the economic shock. Taking all those factors together will challenge the industry as never before, but we will keep focused on supporting our customers and continuing to pay claims over the weeks and months ahead."

In addition to the significant pay outs, Neal says the company will turn its attention to providing additional support to business and society through this difficult time.

"In addition to our £15 million (around SG$25.99 million) package of charitable donations, we have set aside £15 million in seed capital to explore how the industry can create or house structures which support economic recovery and mitigate against future events of this magnitude," he said. "We are also working with our Advisory Committees to develop a number of initiatives to support our customers and economic recovery in the short, medium and long-term."

It is also bracing for further financial penalties after admitting these losses could rise if the current lockdown continues into the next quarter. It says once the scale and complexity of the social and economic impact of the coronavirus is "fully understood," the overall cost to the global insurance non-life industry could exceed other historical events.

Lloyd's undertook an economic study of the potential losses from the pandemic in order to understand its impacts. The study examined underwriting losses through the Profit and Loss Account, as well as the reduction in the value of investments which insurance companies hold to fund future claims payments.

The economic study also took into account the current payout estimates assuming continued social distancing and lockdown measures throughout this year, as well as the forecast drop in GDP globally.

According to Lloyd's, the estimated 2020 underwriting losses covered by the industry from the pandemic are approximately US$107 billion. In addition, Lloyd's says the industry will also experience falls in investment portfolios estimated at US$96 billion, bringing the total projected loss to the insurance industry to a staggering US$203 billion.

Lloyd's plans to announce a series of further initiatives in the coming weeks as it continues to work with government, industry and business to support the short, medium and long-term response to COVID-19. ■

Source: Insurance Business Asia - 14 May 2020

Africa News

• *LANDSCAPE OF MICROINSURANCE IN AFRICA 2018: FOCUS ON SELECTED COUNTRIES*

https://bit.ly/2WEMDd0

The 2018 Landscape of Microinsurance in Africa is the latest study in the Microinsurance Network's World Map of Microinsurance Programme. It is based on data collected on the microinsurance activities of 100 insurers in Africa in 2017. Through their microinsurance activities, these insurers collectively covered a total of 15 million lives — almost 2% of the estimated 700 million people in the low-income bracket in the continent1 — and brought in total premiums of US$ 420 million, representing less than 1% of overall insurance premiums in Africa.

This study suggests that the African microinsurance market experienced a period of considerable change since the last study was carried out based on 2014 data.

Health products have experienced a boom since 2014 and have consolidated into two distinct branches – insurers supporting comprehensive public schemes, on the one hand, and simple, complementary health products like hospital cash and health value-added services on the other. In particular, hospital cash products (simple insurance products that offer a cash payout per night spent in hospital) have proved remarkably successful. By 2017, health insurance products were responsible for the second largest proportion of reported lives covered in the region, at 4.3 million lives covered. This corresponds to 28% of reported lives covered in that year, compared to just 14% of lives covered through health products in 2014.

Health insurance has joined life insurance as a product line capable of reaching significant scale. However, some other product types, particularly crop and livestock insurance, are still struggling to reach scale, with some important and encouraging exceptions.
In 2014, a new freemium model of distributing free insurance products and paid top-ups through mobile network op-

erators (MNOs) reached its peak. Many schemes were signing up a million or more customers at a time, leading to a boom in the number of lives covered through microinsurance on the continent. By 2017, this model had largely collapsed and, with it, many large schemes covering millions of customers.

Nonetheless, this sudden rise and fall in the number of lives covered likely disguises a slower and more durable growth through other models, as illustrated in the case study of Zambia in chapter 3. Several MNO-linked schemes have abandoned the freemium model and proved successful by focusing on paid products. This is likely to continue as increased mobile money use facilitates premium payments. In addition, new distribution opportunities are emerging through digital platforms, such as digital marketplaces, e-commerce and ride-hailing platforms. These are already being used by 12% of the insurers in this study. We may also be seeing a tentative shift towards combined sales models, in which insurers make direct sales to customers of partner institutions.

Claims ratios remain relatively low in most business lines apart from livestock and crop insurance. Nonetheless, the median claims ratio across all product lines of 45% represents a welcome return to previous levels, after the median claims ratio dropped to 25% in 2014. Inefficient claims payments continue to be a problem in many countries and affect client experience. The median claims turnaround time for the region was 10 days. Nonetheless, turnaround times varied significantly from just one day to 90 days and there is a particular need to address slow turnaround times in property insurance, for which insurers in this study reported a median turnaround time of about two months. ■

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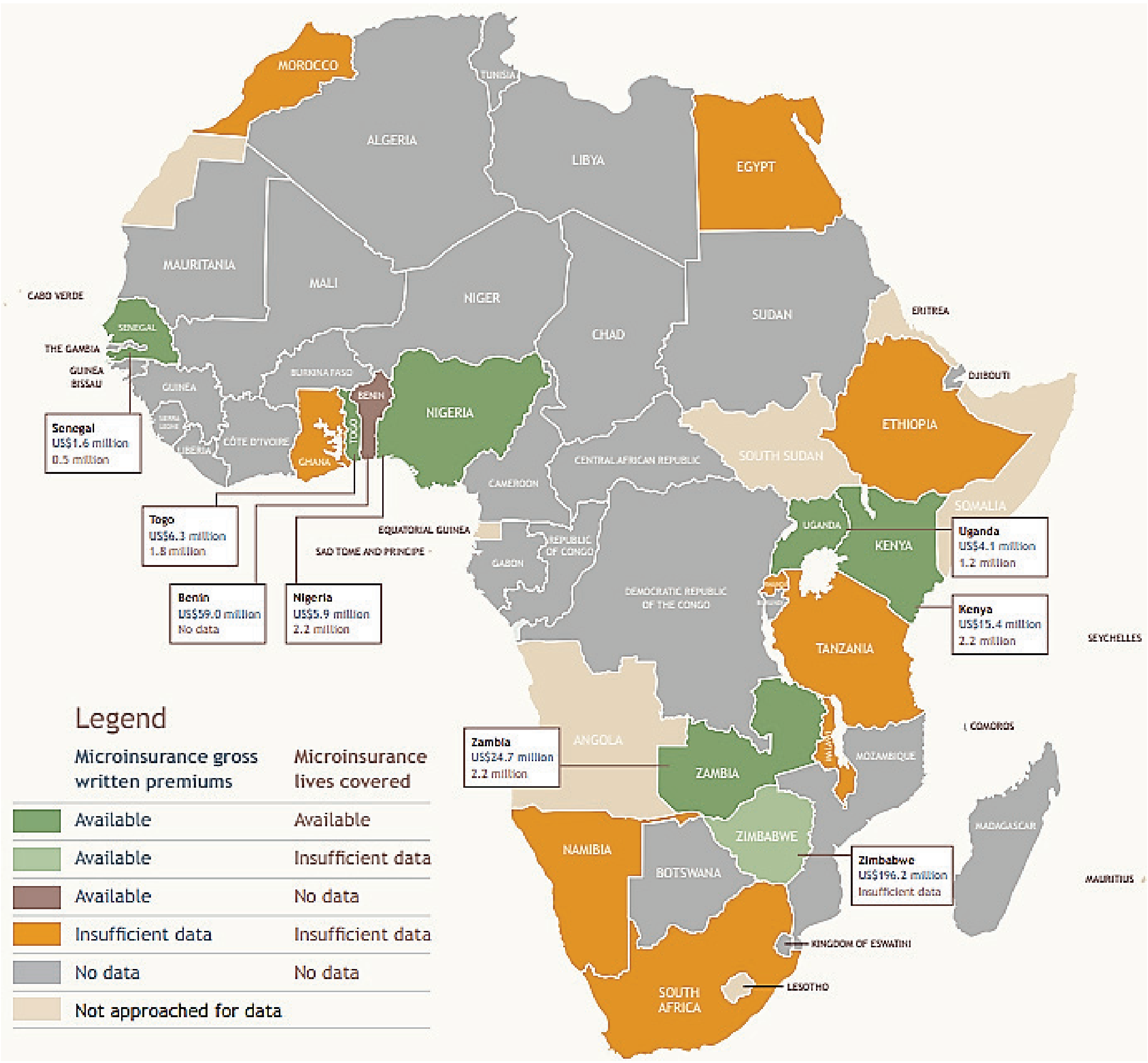


ALGERIA

• COVID-19 and operating losses in Algeria

The Algerian Union of Insurance and Reinsurance Companies (UAR) denies the rumours that insurers would cover the operating losses sustained by their customers due to the pandemic.

The union's president Brahim Kassali specified that the UAR only intends to launch a feasibility study of an insurance system to cover the operating losses in the occurrence of a pandemic.

The scheme in consideration, would be similar to the one implemented for natural disasters. ■

Source: Atlas Magazine – 13 May 2020

CAMEROON

• Zenithe Afrik-Vie: triples its capital and acquires a new name

The Cameroonian insurance company Zenithe Afrik-Vie jointly created by Sonam (Senegal) and Zenithe Insurance in late 2017, has tripled its capital. The latter rose from 1 billion FCFA (1.744 million USD) to 3 billion FCFA (5.232 million USD) through the insurance issue of 200 000 shares, with an estimation of 10 000 FCFA (17.44 USD) per unit.

In addition, the board of directors has changed the name of the company to Sonam Assurances Vie Cameroun. It held a share of 7.5% of the market in 2017. ■ Source: Atlas Magazine - 24 April 2020

DR CONGO

• New insurance companies approved to operate in DR Congo

As of 7 March 2020, the Insurance Regulatory and Supervisory Authority (ARCA) of the Democratic Republic of Congo (DRC) has issued new licenses and authorisations for carrying out insurance operations in the DRC.

The following companies are licensed as non-life insurers:

- SUNU Assurances IARD
- Mayfair Insurance Congo
- Global Pionner Assurance (GPA)

The authorized insurance brokers are:

- Juasur
- Elite Congo
- Société Dambana Assurances

Following the recent authorizations, DR Congo henceforth counts 8 insurance companies and 7 insurance brokers.

Key Highlights:

- The new Insurance Code in the DRC entered into force since March 17, 2016. This Code liberalized the insurance market in the DRC thereby ending the monopoly of the National Insurance Company and the Insurance Regulatory and Supervisory Body (ARCA) was created.
- The placement of non-admitted insurance is not permitted in the DRC insurance industry.
- 100% FDI is permitted in the DRC insurance industry.
- Composite insurers are not permitted in the DRC.
- Motor third-party liability insurance, workers' compensation insurance (state scheme), aviation insurance and civil liability insurance for maritime, river and lake carriers or inland waterways are the key classes of compulsory insurance in the DRC
- The local insurance market achieves annual sales of around 90 million USD in premiums with an estimated penetration rate of less than 0.5%. ■

Sources: Atlas Magazine 13 March 2020 & Global Data Report

ETHIOPEA

• *Life insurance coverage for Ethiopian healthcare professionals*

Following an agreement with the government, Ethiopian Insurance Corporation is to establish a life insurance policy for employees of the medical sector.

The coverage, the amount of which has not been revealed, will be allocated to staff in direct contact with COVID-19 patients. The objective of this agreement is to support the health sector in its fight against the coronavirus. ■

Source: Atlas Magazine - 30 April 2020

KENYA

• *Coronavirus: Kenyan insurers cover health costs*

Insurance Regulatory Authority
Bima Bora kwa Taifa

The Insurance Regulatory Authority (IRA) requires the insurers that all pandemic claims be settled in full. With the accumulation of claims, the market is likely to sustain tremendous losses.

To avoid such a situation, the Kenyan insurers want to adopt a common position on COVID-19. The Association of Kenya Insurers (AKI) will shortly issue a statement detailing the amounts to be covered by its members.

Insurers are granting an extension of premium payment and policy renewal deadlines to the policyholders whose businesses ceased due to the pandemic. ■

Source: Atlas Magazine - 14 May 2020

KENYA

• Kenya's insurance regulator in search of fraud prevention interventions as losses pile up

Fraud is a major issue in the Kenyan insurance market and is thought to be one of the main reasons why insurance penetrations levels remain so low. Patrick Alushula reports on a new initiative from the insurance regulator to discover the true scale of the problem

Kenya's insurance industry regulator wants to measure the extent of fraud in the sector as it faces rising underwriting losses and worsening loss ratios.

The Insurance Regulatory Authority (IRA), which oversees all insurers and reinsurers operating in east Africa's largest economy, says it will then use the findings to develop fraud-prevention interventions.

Insurance fraud has been identified as both a major threat to Kenya's national security as well as realisation of the development objectives of the insurance industry in Kenya, the IRA states.

"To inform development of insurance fraud prevention interventions, the IRA needs to better understand the evidence on drivers of, and effective approaches to addressing, insurance fraud," says the IRA, which is seeking a consultant for the research.

The process is set to take up to two months, with hope of lifting the lid on the drivers of fraud in an economy where insurance penetration has dipped to a 15-year low of 2.43% of GDP, and where 80% of premiums are concentrated in the capital city Nairobi.

The declining penetration has prompted the Kenyan government, through the National Treasury, to start collecting public views for developing national insurance policy to increase uptake of insurance products.

Fraud is seen as a major issue after, in 2018 alone, the IRA blocked KSH310.48m of fraud incidences in 91 cases, mostly from motor vehicle owners and insurance agents. It fears it is yet to scratch the surface on the true volume of fraud.

"Insurance fraud undermines growth and prosperity by capturing markets, siphoning resources away from the formal economy, draining economic productivity, and undermining the tax base," the regulator says.

IRA's previous estimates showed that 25% of insurance industry income is fraudulently claimed. The regulator put fraudulent motor insurance claims at 30% and those of medical class at 35%. However, these figures were not backed by sufficient data and the regulator fears the true position could be much worse.

Many insurers have suffered underwriting losses in the recent years, mostly blamed on price undercutting and high levels of fraud in the highly competitive environment.

The industry's combined ratio for general insurers was 103.3% in 2019, translating to an underwriting loss of KSH2.97bn. The loss was 80% higher than the KSH1.65bn loss reported in 2018. Combined ratios higher than 100% were recorded in five out of the 13 classes of general insurance business.

The reinsurers did not fare any better. Their underwriting loss from general reinsurance business rose further to KSH2.15bn as at the end of last year, compared to a loss of KSH397.9m reported in the previous period.

Many insurers have increasingly invested in technology, but fraudsters keep beating them at their game, going by the performance.

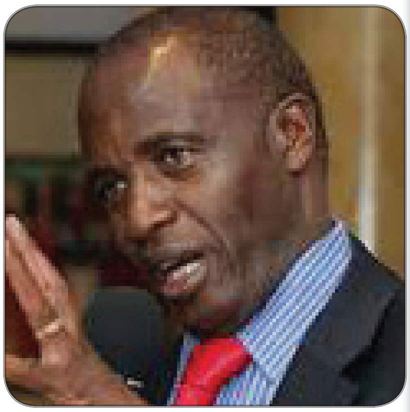
The regulator will be seeking to understand how fraud interacts with processes in the insurance value chain. In 2011, the IRA set up an Insurance Fraud Investigation Unit to foil fraud.

Last month, the Association of Kenya Insurers (AKI) opted to suspend Nairobi Women's Hospital from its list of accredited hospitals, over allegations of cost inflation. The hospital's leaked WhatsApp conversations had showed that officials were keeping patients in the facility more than necessary to prop up revenues.

"We want to come up with a broader strategic direction on how we engage service providers going forward. If we find those who can't reform, we will not fall short of taking the punitive action of blacklisting them," AKI chief executive Tom Gichuhi said.

But reinsurers and insurers in Kenya have often differed on drivers of fraud and how to weed it out.

Jadiah Mwarania, the managing director of Kenya Reinsurance Corporation, the oldest



Tom Gichuhi

Jadiah Mwarania


Birian Akwir

reinsurer in eastern and central Africa, says fines for punishing fraudulent pricing of premiums are too lenient.

Added to the problem of fraud by the insured, several insurers have been accused of pricing covers very low but vanishing when the risks materialise, discouraging people from buying insurance.

Mr Mwarania says: "All insurers are expected to file minimum rates per class of business with the IRA but the reality is that they still end up charging prices less than that. This mechanism has not worked well since penalties for breaching own rates are way too low at KSH200,000 and this means if insurers can undercut and make more, they can easily pay."

The regulator reckons that real victims of insurance fraud are not insurance companies but the policyholders who either pay little or increased premiums but end up not being compensated when risk materialises.

The Association of Kenya Reinsurers tried to set floor prices for the market, but the Competition Authority of Kenya ended up fining the reinsurers after ruling that they were bordering on being monopolists.

But insurers are not giving up in the fight against fraud. The AKI, for instance, is switching to digital motor vehicle insurance certificates, which it hopes will keep fraud at bay.

The virtual certificates will allow law enforcers on the road to confirm on a real-time basis the purpose of use of an insured vehicle, as well as passenger capacity.

This contrasts with the current situation, where the validity of the insurance licence, the purpose insured for and the number of authorised passengers takes a long time to verify, therefore allowing fraud to thrive.

"The old certificates were designed many years back and were only limited to what was prevailing that time. There are many changes away from just the four traditional classes and this had created a lacuna for abuse," said Birian Akwir, AKI senior manager in charge of general insurance business.

The lacuna had created room for the insured to apply for one insurance cover but use it for different purposes, thus paying lower premiums. ■

NIGERIA

• Deadline for recapitalization of insurers could be extended again

Nigerian insurers have voiced concern that the coronavirus pandemic could derail the industry's recapitalization exercise by drying up sources of funding hit by economic recession and stock market declines.

Some insurers have suspended their recapitalization plans as their attention is focussed on coping with the impact of the COVID-19 pandemic, reported The Sun.

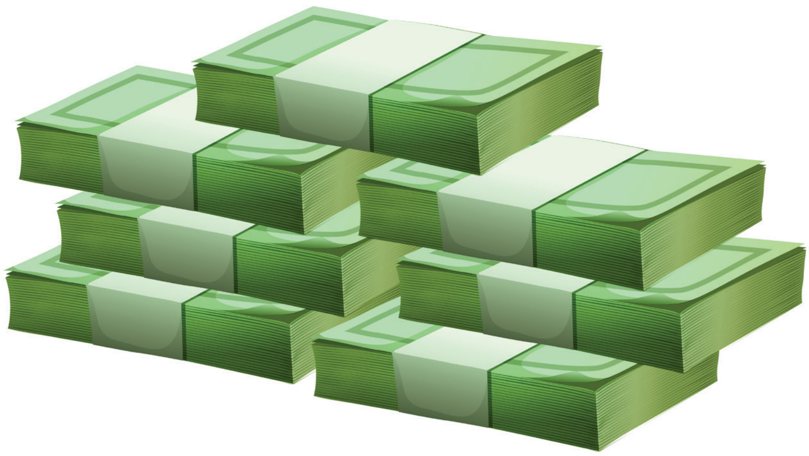
From indications arising from the disruption to the economy caused by the pandemic, it is likely that the recapitalization deadline will be extended a second time. Insurers and reinsures were first required to meet new minimum capital requirements by 30 June this year, but the deadline was later extended to 31 December 2020.

The president of the Chartered Insurance Institute of Nigeria (CIIN), Mr Eddie Efekoha, said recently that he expected the recapitalization exercise timeline to be extended. He said that the recapitalization would be carried out eventually because this is beneficial to the insurance industry.

Mr Efekoha said that the issue is that the scope and the end of the coronavirus pandemic are not even known by anyone yet, including the National Insurance Commission (NAICOM) and this is why the insurance regulator has proactively released guidelines to sustain insurance operations and ease the negative consequences of the pandemic for policyholders.

He said, "So, NAICOM is saying, 'We are aware of the ongoing coronavirus pandemic and the possible impact on recapitali-

Eddie Efekoha



Funmi Omo

Ben Ujuatuonu

zation, and at the appropriate time, we will look at it' and I think this is very thoughtful of them and I commend their efforts.

"Originally, the recapitalization exercise which kicked off last year, was billed to end June 2020. But it was extended to December 2020. What I see, therefore, is that the timeline will be extended."

He said that as regards whether recapitalization would be achieved at the end, he believed it would be "because it is good for us".

Ms Funmi Omo, managing director and CEO of African Alliance Insurance, said that recapitalization moves have gone far before the pandemic erupted. She said, "And so, it is not expected to impact on recapitalization exceptif the pandemic is not arrested within a short time frame."

Mr Ben Ujuatuonu, managing director and CEO of Universal Insurance, said that given the economic challenges brought on by COVID-19, "it will be difficult to get foreign direct investment into the Nigerian insurance industry. Companies that wanted to invest in Nigeria before now, are, by themselves needing a financial bailout. So, the recapitalization exercise is going to be tough".

The next option, he said, is to look into the local market for funding, but the reality is most local investors might not have that financial muscle to invest now, if the virus continued to spread in the next one month.

■ Middle East Insurance Review - 11 May 2020

RWANDA

• Bank of Kigali enters the life insurance market

Bank of Kigali, a Rwandan commercial bank, is considering investing in life insurance.

The financial institution, already present in the non-life market, is in talks with local life insurers. A decision shall be taken between 2020 and early 2021.

The Rwandan life insurance market witnessed a growth of 17% between 2014 and 2017 far exceeding that of the non-life growth rate (9%).

Moreover, the growth of the middle class, the low penetration rate (1.6%) and the absence of competition make good development prospects for the life activity. ■

Source: Atlas Magazine - 21 May 2020

SEYCHELLES

• Sey Re: a new reinsurance company in the Seychelles

The local supervisory authorities are to license a new reinsurance company, Seychelles Reinsurance Company (Sey Re).

The new company's share capital amounts to USD 2.4 million, which is the minimum amount set by the regulations. However, Sey Re is planning to increase this capital to 10 million USD.

The aim of this operation is to form a solid financial base enabling the reinsurer to retain more premiums. ■ Source: Atlas Magazine - 22 May 2020

TANZANIA

• Tanzania's insurance industry in 2018

Tanzania's insurance market: Turnover per company (2017-2018)

Figures in thousands

Company	2018 turnover		2017 turnover		2017-2018 evolution [1]	2018 market share
	In TZS	In USD	In TZS	In USD		
Jubilee	90681000	38992.83	80870000	35582.80	12.10%	13.10%
Alliance	63032000	27103.76	57185000	25161.40	10.20%	9.10%
NIC	45124000	19403.32	43513000	19145.72	3.70%	6.50%
AAR	43522000	18714.46	46149000	20305.56	-5.70%	6.30%
Heritage	43041000	18507.63	35780000	15743.20	20.30%	6.20%
Strategis	42554000	18298.22	38992000	17156.48	9.10%	6.20%
Phoenix	25739000	11067.77	21508000	9463.52	19.70%	3.70%
Britam	24105000	10365.15	22548000	9921.12	6.90%	3.50%
UAP	21741000	9348.63	27930000	12289.20	-22.20%	3.10%
ZIC	21188000	9110.84	19778000	8702.32	7.10%	3.10%
Reliance	19914000	8563.02	18920000	8324.80	5.30%	2.90%
Mayfair	19434000	8356.62	14303000	6293.32	35.90%	2.80%
Sanlam General	17910000	7701.30	20213000	8893.72	-11.40%	2.60%
Bumaco	14025000	6030.75	11359000	4997.96	23.50%	2.00%
Resolution	13411000	5766.73	13079000	5754.76	2.50%	1.90%
Metropolitan	13263000	5703.09	7817000	3439.48	69.70%	1.90%
Tanzindia	12651000	5439.93	14307000	6295.08	-11.60%	1.80%
Maxinsure	10605000	4560.15	12089000	5319.16	-12.30%	1.50%
IGT	10280000	4420.40	12439000	5473.16	-17.40%	1.50%
MO	7978000	3430.54	5962000	2623.28	33.80%	1.20%
ICEA Lion	7408000	3185.44	7521000	3309.24	-1.50%	1.10%
Mgen	5863000	2521.09	9063000	3987.72	-35.30%	0.90%
GA	5296000	2277.28	6036000	2655.84	-12.30%	0.80%
First	5080000	2184.40	4356000	1916.64	16.60%	0.70%
Milembe	2277000	979.11	2388000	1050.72	-4.60%	0.30%
Star General	1509000	648.87	2193000	964.92	-31.20%	0.20%
Total non life	**587631000**	**252681.33**	**556298000**	**244771.12**	**5.60%**	**84.90%**
Sanlam Life	70802000	30444.86	48413000	21301.72	46.20%	10.20%
Alliance Life	12176000	5235.68	9715000	4274.60	25.30%	1.80%
NIC	11276000	4848.68	15505000	6822.20	-27.30%	1.60%
Jubilee Life	7434000	3196.62	6194000	2725.36	20.00%	1.10%
Metropolitan Life	2584000	1111.12	1016000	447.04	154.30%	0.40%
Total life	**104272000**	**44836.96**	**80843000**	**35570.92**	**29.00%**	**15.10%**
Grand total	**691903000**	**297518.29**	**637141000**	**280342.04**	**8.60%**	**100%**

[1] Growth rate in local currency

Tanzania's insurance market: Turnover 2018 per class of business and per non life insurance company

Figures in thousands of USD

Company	Motor	Health	Fire	Accident	Marine (1)	Other risks (2)	Total non life
Jubilee	10182.83	13196.27	8800.38	4105.21	1736.77	971.37	38992.83
Alliance	12832.92	716.81	4175.30	155.66	2282.01	6941.06	27103.76
NIC	7023.19	-	3994.70	886.66	3964.60	3534.17	19403.32
AAR	-	18700.70	-	-	-	13.76	18714.46
Heritage	2703.41	716.81	8590.54	3716.49	1102.52	1677.86	18507.63
Strategis	180.17	17610.65	350.45	43.86	6.02	107.07	18298.22
Phoenix	4288.39	-	3552.23	976.10	2033.47	217.58	11067.77
Britam	4778.59	43.43	2493.57	1825.35	341.85	882.36	10365.15
UAP	5201.28	-	1673.56	120.40	263.59	2089.80	9348.63
ZIC	7993.27	-	453.65	129.43	534.49	-	9110.84
Reliance	3299.39	-	2532.70	88.58	778.30	1864.05	8563.02
Mayfair	3628.34	-	2436.81	114.38	693.59	1483.50	8356.62
Sanlam General	2673.74	-	1673.56	3166.95	25.80	161.25	7701.30
Bumaco	5670.84	-	152.22	2.58	-	205.11	6030.75
Resolution	1782.35	3515.68	207.26	54.18	27.09	180.17	5766.73
Metropolitan	2002.94	-	870.75	1532.52	408.93	887.95	5703.09
Tanzindia	1434.05	-	1968.97	86.00	802.81	1148.10	5439.93
Maxinsure	2065.72	285.09	831.62	319.06	584.37	474.29	4560.15
IGT	3873.87	-	323.36	127.71	-5.16	100.62	4420.40
MO	725.84	-	1280.54	859.57	351.31	213.28	3430.54
ICEA Lion	1035.87	-	595.55	512.13	248.54	793.35	3185.44
Mgen	1622.82	-	678.54	101.48	53.32	64.93	2521.09
GA	504.39	190.06	668.22	338.84	203.39	372.38	2277.28
First	703.48	-	553.41	82.56	207.69	637.26	2184.40
Milembe	724.12	-	117.82	12.47	-	124.70	979.11
Star General	423.12	-	85.40	-	-	140.61	648.87
Total non life	**87354.93**	**54975.50**	**49060.85**	**19358.17**	**16645.30**	**25286.58**	**252681.33**

(1) Including maritime transport and aviation (2) Including engineering, energy and miscellaneous accident

Tanzania's insurance market: Turnover 2018 per class of business and per Life Insurance Company

Figures in thousands of USD

Company	Individual life insurance	Group life insurance	Others	Total life
Sanlam Life	3 659.73	26 696.12	89.01	30 444.86
Alliance Life	171.57	5 064.11	-	5 235.68
NIC	3 709.18	1 074.57	64.93	4 848.68
Jubilee Life	715.52	2 481.10	-	3 196.62
Metropolitan Life	707.35	403.77	-	1 111.12
Total life	**8 963.35**	**35 719.67**	**153.94**	**44 836.96**

Source: Atlas Magazine – 12 May 2020

■

TUNISIA

• *SStrengthening solvency requirements in Tunisia*

The General Insurance Committee (CGA) is urging the insurance companies to take the proper precautious measures to fight COVID-19.

This measure aims at strengthening the solvency of Tunisian insurance companies:

- Setting up adequate technical reserves for the financial year 2019. Any adjustments should be incorporated in the latest data and forecasts regarding the spread of the coronavirus.
- Conducting quantitative research on the anticipated impact of the pandemic on 2020's figures. Once approved by the Boards of Directors, the results of these analysis are to be submitted to the CGA within one month maximum as of 6 April 2020.
- Postponing any dividend distributions regarding 2019's earnings. ■

Source: Atlas Magazine – 17 April 2020

Africa: Evolution of Insurance Premiums (2010-2018)

Figures in millions USD

Year	America	Asia	Europe	Oceania	Africa	World
2010	1 403 784	1 172 175	1 615 190	63 072	81 466	4 335 687
2011	1 497 703	1 278 786	1 625 442	94 958	69 274	4 566 163
2012	1 566 617	1 333 298	1 540 685	86 879	71 472	4 598 951
2013	1 561 461	1 251 992	1 620 133	89 752	70 294	4 593 632
2014	1 576 073	1 313 874	1 695 091	99 557	70 116	4 754 711
2015	1 593 791	1 351 566	1 491 430	96 951	63 942	4 597 680
2016	1 616 070	1 486 575	1 448 819	91 968	59 408	4 702 840
2017	1 864 900	1 448 800	1 486 600	92 000	65 200	4 957 500
2018	1 759 900	1 742 500	1 499 800	122 700	68 400	5 193 300
Market shares 2018	**33.89%**	**33.55%**	**28.88%**	**2.36%**	**1.32%**	**100%**

World: Evolution of life and non-life insurance premiums 2010-2018

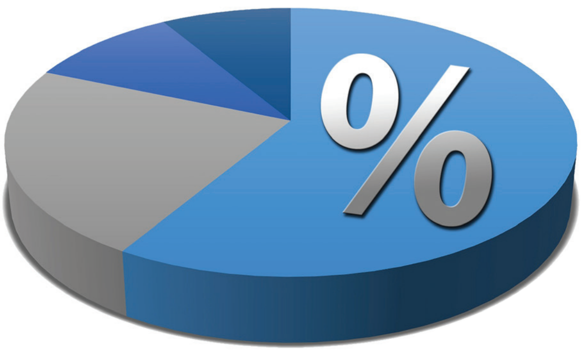
Figures in millions USD

	Year	Life premiums	Evolution	Non life premiums	Evolution	Total premiums	Evolution
WORLDWIDE	2010	2516377	6.30%	1819310	4.40%	4335687	5.50%
	2011	2611718	3.80%	1954445	7.40%	4566163	5.30%
	2012	2630274	0.70%	1968677	0.70%	4598951	0.70%
	2013	2545045	-3.20%	2048587	4.10%	4593632	-0.10%
	2014	2655593	4.30%	2099118	2.50%	4754711	3.50%
	2015	2546941	-4.10%	2050739	-2.30%	4597680	-3.30%
	2016	2581972	1.40%	2120868	3.40%	4702840	2.30%
	2017	2724000	5.50%	2233500	5.30%	4957500	5.40%
	2018	2820200	3.50%	2373100	6.30%	5193300	4.80%
Average			**1.40%**		**3.40%**		**2.30%**

Africa: evolution of life and non-life insurance premiums 2010-2018

Figures in millions USD

		LIFE BUSINESS			NON-LIFE BUSINESS			TOTAL BUSINESS		
	Year	Life premiums	Evolution	Share of World Life Market (%)	Non life premiums	Evolution	Share of World Non-Life Market (%)	Total premiums	Evolution	Share of World Market (%)
AFRICA	2010	39435	-2.80%	**1.57%**	42031	149.10%	**2.31%**	81466	41.80%	**1.88%**
	2011	47007	19.20%	**1.80%**	22267	-47%	**1.14%**	69274	-15%	**1.52%**
	2012	48919	4.10%	**1.86%**	22553	1.30%	**1.15%**	71472	3.20%	**1.55%**
	2013	47370	-3.20%	**1.86%**	22924	1.60%	**1.12%**	70294	-1.60%	**1.53%**
	2014	47605	0.50%	**1.79%**	22511	-1.80%	**1.07%**	70116	-0.30%	**1.47%**
	2015	42987	-9.70%	**1.69%**	20955	-6.90%	**1.02%**	63942	-8.80%	**1.39%**
	2016	39465	-8.20%	**1.53%**	19943	-4.80%	**0.94%**	59408	-7.10%	**1.26%**
	2017	43500	10.20%	**1.60%**	21700	8.80%	**0.97%**	65200	9.70%	**1.32%**
	2018	46300	6.40%	**1.64%**	22100	1.80%	**0.93%**	68400	4.90%	**1.32%**
Average			**2.00%**			**-7.70%**			**-2.20%**	



AFRICA: Ranking of African Reinsurers 2018

Ranking per Turnover

Figures in USD

Rank	Company	Country	Class of business	Turnover
1	**Africa Re**	Nigeria	Life and non life	797 415 000
2	**Munich Re**	South Africa	Life and non life	762 954 000
3	**Compagnie Centrale de Réassurance**	Algeria	Non life	271 150 000
4	**Swiss Re Africa**	South Africa	Life and non life	214 800 000
5	**Société Centrale de Réassurance**	Morocco	Life and non life	211 578 000
6	**RGA Re**	South Africa	Life	207 146 000
7	**African Reinsurance Corporation**	South Africa	Life and non life	203 097 000
8	**Hannover Re**	South Africa	Life	200 068 000
9	**Hannover Re**	South Africa	Non life	192 861 000
10	**Genral Reinsurance Africa**	South Africa	Life and non life	191 545 000
11	**Zep Re**	Kenya	Life and non life	178 500 000
12	**Kenya Re**	Kenya	Life and non life	144 823 000
13	**GIC Re**	South Africa	Non life	138 620 000
14	**Continental Re**	Nigeria	Life and non life	93 948 000
15	**CICA Re**	Togo	Life and non life	93 153 000
16	**SCOR Africa**	South Africa	Life and non life	87 209 000
17	**WAICA Re**	Sierra Leone	Non life	57 972 000
18	**Africa Retakaful**	Egypt	Life and non life	51 730 000
19	**Tan Re**	Tanzania	Life and non life	47 954 000
20	**Tunis Re**	Tunisia	Life and non life	47 434 000
21	**Ghana Re**	Ghana	Life and non life	42 353 000
22	**East Africa Re**	Kenya	Life and non life	39 099 000
23	**NCA Re**	Côte d'Ivoire	Life and non life	29 236 000
24	**AVENI Re**	Côte d'Ivoire	Life and non life	28 172 000
25	**Sen Re**	Senegal	Life and non life	27 844 000
26	**Ethiopian Re**	Ethiopia	Life and non life	23 708 000
27	**SCG-Ré**	Gabon	Life and non life	22 051 000
28	**Grand Re**	Zimbabwe	Non life	21 157 000
29	**NamibRe**	Namibia	Life and non life	20 773 000
30	**ZB Re**	Zimbabwe	Non life	19 157 000
31	**Globus Re**	Burkina Faso	Non life	18 098 000
32	**FBC Re**	Zimbabwe	Non life	17 456 000
33	**Zep Reinsurance**	Zimbabwe	Non life	16 113 000
34	**First Mutual Re**	Zimbabwe	Non life	15 911 000
35	**Tropical Re**	Zimbabwe	Non life	13 297 000
36	**Emeritus General Re**	Zimbabwe	Non life	12 641 000
37	**Mamda Ré**	Morocco	Non life	12 453 000
38	**Uganda Re**	Uganda	Life and non life	9 055 000
39	**GN Re**	Ghana	Life and non life	9 038 000
40	**Baobab Life & Health Company**	Zimbabwe	Life	4 060 000
41	**Prima Re**	Zambia	Non life	2 763 000
42	**First Mutual Re (Life & Health)**	Zimbabwe	Life and non life	2 600 000
43	**Zep Re Life**	Zimbabwe	Life	1 614 000
44	**FBC Re Life**	Zimbabwe	Life	842 000
45	**Colonnade Re**	Zimbabwe	Non life	644 000

Ranking per Net Result

Figures in USD

Rank	Company	Country	Net result	Shareholder's equity	Share capital
1	**Société Centrale de Réassurance**	Morocco	31 376 000	255 840 000	156 814 000
2	**Africa Re**	Nigeria	31 269 000	917 047 000	285 145 500
3	**Compagnie Centrale de Réassurance**	Algeria	26 157 000	258 119 000	185 971 000
4	**Genral Reinsurance Africa**	South Africa	22 929 000	129 842 000	277 000
5	**Kenya Re**	Kenya	22 236 000	276 921 000	17 079 000
6	**Munich Re**	South Africa	10 318 000	220 486 000	13 494 000
7	**Zep Re**	Kenya	10 140 000	300 000 000	NA
8	**Continental Re**	Nigeria	9 130 000	79 554 000	14 252 864
9	**Ghana Re**	Ghana	7 955 000	68 476 000	20 594 000
10	**CICA Re**	Togo	7 947 000	82 379 000	79 000 000
11	**RGA Re**	South Africa	7 212 000	82 417 000	65 906 000
12	**WAICA Re**	Sierra Leone	6 931 000	85 956 000	49 083 000
13	**Hannover Re**	South Africa	6 088 000	61 195 000	5 038 000
14	**East Africa Re**	Kenya	6 045 000	45 045 000	14 730 000
15	**Tunis Re**	Tunisia	5 712 000	61 139 000	33 396 000
16	**SCOR Africa**	South Africa	3 269 000	23 472 000	23 864 000
17	**Ethiopian Re**	Ethiopia	2 818 000	22 075 000	18 617 000
18	**Tan Re**	Tanzania	2 690 000	28 573 000	16 707 000
19	**NamibRe**	Namibia	2 597 000	17 779 000	1 689 200
20	**Hannover Re**	South Africa	2 596 000	39 167 000	7 788 000
21	**GN Re**	Ghana	2 570 000	26 569 000	16 667 000
22	**Grand Re**	Zimbabwe	2 458 996	10 348 374	5 788 000
23	**Sen Re**	Senegal	2 348 000	18 473 000	11 161 000
24	**ZB Re**	Zimbabwe	2 335 000	12 405 000	2 500 000
25	**FBC Re**	Zimbabwe	2 047 000	15 607 000	5 603 000
26	**AVENI Re**	Côte d'Ivoire	2 014 000	37 494 000	32 000 000
27	**NCA Re**	Côte d'Ivoire	1 594 771	15 216 000	12 509 000
28	**First Mutual Re**	Zimbabwe	1 432 000	9 363 092	4 066 000
29	**Uganda Re**	Uganda	1 381 000	7 693 000	3 539 000
30	**Emeritus General Re**	Zimbabwe	1 327 000	38 313 000	32 826 000
31	**Tropical Re**	Zimbabwe	1 221 000	5 421 000	NA
32	**Baobab Life & Health Company**	Zimbabwe	1 047 000	7 948 000	6 729 000
33	**Zep Reinsurance**	Zimbabwe	980 478	6 871 000	NA
34	**Globus Re**	Burkina Faso	726 000	8 019 000	6 108 000
35	**Zep Re Life**	Zimbabwe	448 000	670 000	NA
36	**First Mutual Re (Life & Health)**	Zimbabwe	342 000	2 223 000	2 288 000
37	**Mamda Ré**	Morocco	335 000	63 897 000	NA
38	**SCG-Ré**	Gabon	166 000	15 103 000	8 423 000
39	**FBC Re Life**	Zimbabwe	135 000	14 735 000	5 603 000
40	**Prima Re**	Zambia	-129 500	3 514 000	2 498 000
41	**Colonnade Re**	Zimbabwe	-449 000	5 115 000	1 056 000
42	**African Reinsurance Corporation**	South Africa	-1 999 000	51 016 487	5 559 169
43	**GIC Re**	South Africa	-6 455 000	59 902 000	71 260 000
44	**Swiss Re Africa**	South Africa	NA	51 100 000	NA

NA : Not available

Source: Atlas Mag – 16 & 18/03/2020

CAMBODIA

• *Premiums grew 14% in the first half of last year*

The insurance industry in Cambodia saw premiums increase by more than 14% in the first six months of 2019.

In 1H2019, gross premiums in general insurance reached $49.3m, a surge of 14.7% compared with the same period in 2018, according to Mr Mey Vann, director-general of the Ministry of Economy and Finance.

Life insurance premiums hit $66.3m in 1H2019, an increase of 55.3%.

Mr Huy Vatharo, Chairman of the Insurance Association of Cambodia (IAC), says the market is growing rapidly and playing a bigger role every year in the country's economic development, according to a Khmer Times report.

There are 13 general insurance companies, 11 life insurers, and 7 microinsurance companies operating in Cambodia.

The Ministry of Economy and Finance had said last year the Cambodian insurance industry's gross premiums is expected to grow over 32% from $196.4 million in 2018 to $260 million in 2019.

In 2018, the total gross premium in the insurance industry rose 30%, mostly driven by life insurance sales, according to an Insurance Association of Cambodia (IAC) report. ■

Asia Advisers Network – 18 Feb 2020


Huy Vatharo

CHINA

• Coronavirus-related business interruption insurance

The Chinese regulatory authority (CBIRC) has set up an insurance to cover the operating losses suffered by companies as a result of the spread of Coronavirus. The initiative is launched by Hainan Province, in partnership with a dozen insurance companies including PICC, China Pacific Insurance Co and Ping An Insurance Group.

About 100 key companies will benefit from a 70% subsidy on the insurance premium paid by Hainan Province. The latter has allocated 28 million USD for this scheme. The six-month insurance policy will cover production losses, wages paid to employees in quarantine and fees due to the suspension of operations.

To date, and in order to slow down the spread of the virus, several activities are at a standstill, including factories and planes that are still grounded. ■

Source: Atlas Magazine - 27 February 2020

INSURANCE ASSOCIATION OF CHINA

• Coronavirus: Chinese insurers to pay 49 million USD in compensation

The Chinese Insurance Association stated that local insurers paid out 347 million CNY (49 million USD) in compensation for claims pertaining to COVID-19.

With 224 million CNY (31.71 million USD) in compensations, life insurance companies have made the largest payments while the non-life insurers have only allocated 123 million CNY (17.41 million USD) up to now.

To stop the spread of the Coronavirus, China had to take drastic measures and deploy significant resources to fight the pandemic. Between January and February 2020, industries and administrations had to cease all activities. These measures had an impact on the Gross Domestic Product (GDP).

For the first time since 1992, China recorded a decline in its GDP. At the end of March 2020, the latter fell by 6.8% compared to the same period in 2019. ■

Source: Atlas Magazine - 27 February 2020

HONG KONG

• General insurance underwriting gains nearly doubles in 2019 despite social unrest

Overall underwriting profit in Hong Kong's general insurance sector rose by 93.3% to reach HK$1.1bn ($141.6m), according to provisional statistics released by the Insurance Authority (IA).
The almost doubling of underwriting gains was fuelled by property damage business in the absence of any major typhoons.

The underwriting results were achieved despite damage suffered as a result of street protests in Hong Kong in the second half of last year. As at 31 December 2019, the gross and net claims incurred due to the recent social events were HK$1.3bn and HK$411m respectively, but upward adjustment of reserves is likely to impair underwriting performance going forward, said the IA.

In 2019, the gross and net premiums of general insurance business were HK$55.7bn (increased by 3.9%) and HK$37.7bn (increased by 6.8%) respectively.

Total gross premiums in the Hong Kong insurance industry rose by 9.1% to HK$580.2bn ($74.9bn) in 2019 compared to 2018.

Direct general insurance business

On direct business, gross and net premiums were HK$42.4bn (increased by 10.5%) and HK$29.5bn (increased by 16.7%) respectively.

Accident and Health (comprising Medical) business continued to be the largest driving force with gross premiums of HK$17.2bn (increased by 9%), followed by General Liability business with gross premiums of HK$10.8bn (increased by 14%).

Direct general insurance

Direct business generated an underwriting profit of HK$844m (increased by 216.4%). The details include:

- Property Damage business recovered from a loss of HK$189m caused by Typhoon Mangkhut in 2018 to a profit of HK$164m.
- Ship business also turned around from a loss of HK$225m to a profit of HK$42m due to adjustment of reserves.


Edward Moncreiffe

- General Liability (including Employees' Compensation) business recorded a profit of HK$275 m (increased by 35.9%),
- Motor Vehicle business saw underwriting losses widen by 10% to HK$404m.

Reinsurance

In reinsurance inward business, gross and net premiums were HK$13.3bn (decreased by 12.5%) and HK$8.2bn (decreased by 18.4%) respectively, mainly attributable to General Liability business whose gross premiums dropped by 48% to HK$1.9bn, partly offset by Property Damage business whose gross premiums improved by 8.5% to HK$5.3bn.

Underwriting profit shrunk by 10.5% to HK$283m as General Liability business deteriorated from a profit of HK$177m in 2018 to a loss of HK$255m in 2019, notwithstanding that Property Damage business chalked up a profit of HK$725m (increased by 217.2%) due to better claims experience.

Long term business

The total revenue premiums of long term in-force business were HK$524.6bn in 2019 (increased by 9.7% over 2018), mainly comprising:

- HK$457.1bn of Individual Life and Annuity (Non-Linked) business (increased by 15.3%),
- HK$27.7bn of Individual Life and Annuity (Linked) business (decreased by 20.5%), as well as
- HK$33.8bn of Retirement Scheme business (decreased by 19%).

On the other hand, new office premiums (excluding Retirement Scheme business) of long term business were HK$172.7bn (increased by 6.5%), mainly comprising:

- HK$160.4bn from Individual Life and Annuity (Non-Linked) business (increased by 11.3%) and
- HK$11.8bn from Linked business (decreased by 32.4%).

Ranking

Mr Edward Moncreiffe, CEO of HSBC Life Hong Kong, commenting on the Hong Kong insurance market results, said, "According to the provisional statistics of the Hong Kong insurance industry released by the Insurance Authority, in the second half of 2019, HSBC Life ranked first by market share in Annualised New Premiums (ANP). For the full year of 2019, the bank channel remained the dominant sales channel in the Hong Kong life market, contributing 48% of total ANP written in HK.

"Despite very challenging conditions in the second half of last year in Hong Kong, HSBC Life reported a record-high ANP. This demonstrates the unique edges of our bancassurance model by offering holistic protection and financial solutions. The current market volatility and uncertainty further showcase the importance of insurance as a resilient investment tool." ■

Source: Asia Insurance Review (AIR) – 17 Mar 2020

INDIA

• Covid-19: Gallagher launches pandemic group insurance product for India's front-line workforce

Insurance broker Gallagher has launched the Pandemic Group Insurance product to offer comprehensive Covid-19 indemnity cover solution for the Indian market.

The product provides coverage for essential workers and front-line services including hospital and healthcare providers, food distribution, and pharmaceutical manufacturers.

Hospitalisation cover including ICU, road ambulance and access to a secondary medical opinion is offered under the new policy.

Furthermore, it includes access to all types of hospitals including private, government and military with sums insured from INR 50,000 ($660) to INR3m.

It also covers children below 18 years if either parent is a policyholder.

Gallagher international operations CEO Vyvienne Wade said: "We sought to provide a comprehensive insurance solution that enables critical workers at the front line and their families to have access to hospital care including ICU. The online and paperless claims process is also easy to manage and supported by a dedicated health claims management team."

The policy coverage is applicable only if the insured member(s) is/are diagnosed with and hospitalised solely for, Covid-19 after an initial 15 day waiting period.

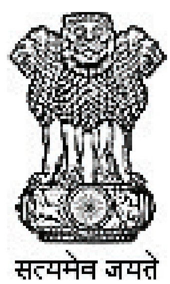
The cover has travel and pre-existing health condition exclusions, the company noted.

The Covid-19 cases in India crossed 42,000-mark with death toll climbing to 1,373.

The Insurance Regulatory and Development Authority of India (IRDAI) recently directed insurers to provide group and individual insurance cover, following revised guidelines issued by the Ministry of Home Affairs (MHA). ■

Source: Verdict – 4 May 2020

Vyvienne Wade



INDONESIA

• Insurance market grows by 8% in 2019

The Indonesian insurance industry posted growth of 8% in terms of premiums last year, according to data from the Financial Services Authority (OJK), despite the ills afflicting the state-owned financially stricken life insurer Asuransi Jiwasraya.

Total premiums grew to IDR281.2tn ($20.6bn) in 2019, consisting of IDR179.1tn of life insurance premiums (representing a 3.6% decline from 2018) and IDR102.1tn in general insurance and reinsurance premiums (representing a 21.5% increase from 2018). Life premiums stood at IDR185.8tn in 2018, a decline of 5% from 2017. Non-life insurance and reinsurance premiums stood at IDR84tn in 2018, compared to IDR76tn in 2017.

In addition, the solvency position of the overall insurance industry is still considered healthy with the risk-based capital (RBC) ratio reaching 345.35% and 789.37% for general insurance and life insurance respectively. This value is much higher than the minimum solvency ratio of 120% set by the Authority.

Assets in this sector increased by 5.91% to IDR913.8tn at the end of 2019, compared to 12 months previously.

Meanwhile, Jiwasraya's assets were recorded at only 1.6% of the total assets of the insurance industry or equivalent to IDR22.03tn.

"OJK assesses that the insurance industry still has great potential to grow and play a more significant role in the national economy considering that of around 260m Indonesians, currently only 12.08% are served by insurance," said OJK in a statement that also stated that the insurance industry is resilient.

Various reforms have been and will be carried out in the non-bank financial services sector, namely, regulatory and supervisory reform, institutional reform and infrastructure reform. Among other things, the RBC requirement will be revised and a policyholder protection scheme will be introduced.

Meanwhile, regarding the legal process revolving around Jiwasraya, that is being handled by the Attorney General's Office, the OJK is actively assisting the Attorney General's Office in verifying securities accounts linked to Jiwasraya that are still blocked. ■

Source: Asia Advisers Network – 25 Feb 2020

• *1Q insurance industry performance declines*

Wimboh Santoso

The life and general insurance industry in Indonesia posted premiums of IDR17.5tn ($1,2bn) in the first quarter of this year, contracting by 7.51% compared to the corresponding quarter in 2019, according to data from the Financial Services Authority (OJK).

In the first three months of the year, life insurance premiums declined by 13.8% y-o-y, while general insurance premiums increased by 3.65%, reported Antara News Agency, quoting Mr Wimboh Santoso, OJK chairman. He did not disclose further details, including the amounts of premiums posted for the first quarter of this year.

The performance of the life and general sectors in 1Q2020 was less favourable than in 2019. For example, the life insurance solvency ratio was 642.7% at end-March 2020 compared to 789% at end-December 2019. As for general insurance, the capital adequacy ratio reached 297.3% at end-March 2020 compared to 345% at end-December 2019.

For the whole of 2019, life insurance premiums reached IDR196.6tn, an increase of 5.8% compared to the previous year while the general insurance sector reported a premium income of IDR79.7tn ($5.85bn), up by 14.1% compared to 2018 according to data from the Financial Services Authority (OJK).

Indonesia's economic growth in the first quarter of 2020 was 2.97%, slower than the 5.07% in the first quarter of 2019. ■

Source: Asia Insurance Review (AIR) - 12 May 2020

MYANMAR

• Govt permits reinsurance and new general insurance classes

MINISTRY OF PLANNING, FINANCE AND INDUSTRY

The Insurance Business Regulatory Board (IBRB) is permitting the business of reinsurance and three new classes of general insurance in the country, under two new directives issued on 12 May.

The three new classes are: Industrial All Risk, Construction All Risk and Bailee's Liability Insurance, reported Myanmar Times.

The aim is to widen insurance coverage in the country.

"Whether local or foreign, businesses need insurance coverage under these three categories. We have permitted the three new policies nationwide, including in Thilawa Special Economic Zone," said U Thant Sin, a director with the Financial Regulatory Department under the Ministry of Planning, Finance, and Industry.

U Soe Win Thant, joint secretary of the Myanmar Insurance Association, said, "All three types of insurance are widely used in business internationally. We usually receive enquires from foreign investors about the availability of these insurance products.''

He added that in Thilawa SEZ, businesses are required to have these insurance covers and this should be a requirement for all companies doing business in Myanmar.

The new general insurance products will be launched in Myanmar, starting in October.

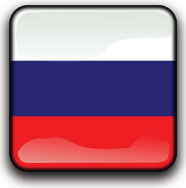
Reinsurance

The IBRB has also permitted insurance companies to provide reinsurance services. "Being able to reinsure the business of other providers will make it easier for insurance companies to operate,'' U Soe Win Thant said.

The purpose of permitting reinsurance is to maximise retention within the country, subject to proper and adequate diversification of risk, secure the best possible reinsurance coverage required to protect the interests of policyholders at a reasonable cost, and for the industry to develop technical capability and financial capacity. ■

Source: Asia Insurance Review (AIR) - 15 May 2020

RUSSIA



• *RUSSIA: affected by the decreasing economic activity –*
The insurance market may drop to the level it had five years ago

According to the forecast of the Expert RA rating agency, the spread of coronavirus will significantly affect the dynamics of the insurance market in 2020 and lead to its decline in the range 17% to 27%, the agency's review says.

If at the beginning of the second half of the economic year activity starts to recover, then the insurance market may drop by about 17%. At that, voluntary segments are subject to a stronger negative impact, while compulsory insurance, according to the agency, will suffer much less. The agency's positive scenario provides for the market volume by the end of 2020 at RUB 1.23 trillion (~EUR 15.35 billion), out of which about RUB 900 billion will fall on the non-life sector (-16% y-o-y).

Expert RA forecasts the largest decrease under the positive scenario for insurance against accidents and diseases (-25%), voluntary health insurance (-20%), insurance of other property of individuals (-20%), Motor Hull (-15%), as well as life insurance (-20%).

The negative scenario, if the economy starts to recover only in 4Q2020, provides for a drop of the insurance market by 27%, to the level it had five years ago. The non-life sector will amount to RUB 836 billion (~EUR 10.44 billion), according to the agency (decrease by more than 20% y-o-y), life insurance will go down by 40%, insurance against accidents and diseases - down by 35%, voluntary health insurance and insurance of property of individuals - both by 30%, Motor Hull - by 25%, as mentioned in the review.

However, "the level of uncertainty associated with the pandemic is extremely high, which prevents more accurate forecasting", the agency noted.

Expert RA is the Russia's largest credit rating agency with a 22-years history and a market leader in credit rating services.
■

Source: XPRIMM – 21 April 2020 & A.M.Best

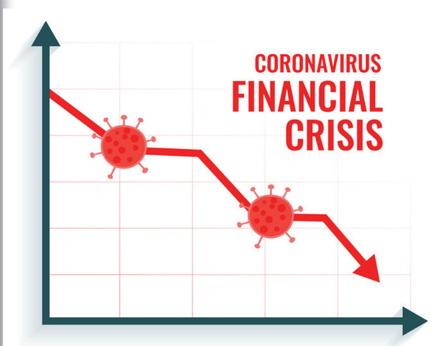
* EUR 1 = RUB 80.1110 (as of 18.04.2020)

SINGAPORE

• *Best's Commentary: COVID-19 Impacts Add to Deterioration in Underwriting Results of Singapore's Non-Life Insurers*

For the first time in a decade, the domestic non-life insurance segment in Singapore recorded an underwriting loss in 2019, and with the added economic strain from the COVID-19 pandemic, the lackluster underwriting performance is expected to persist, according to a new AM Best commentary.

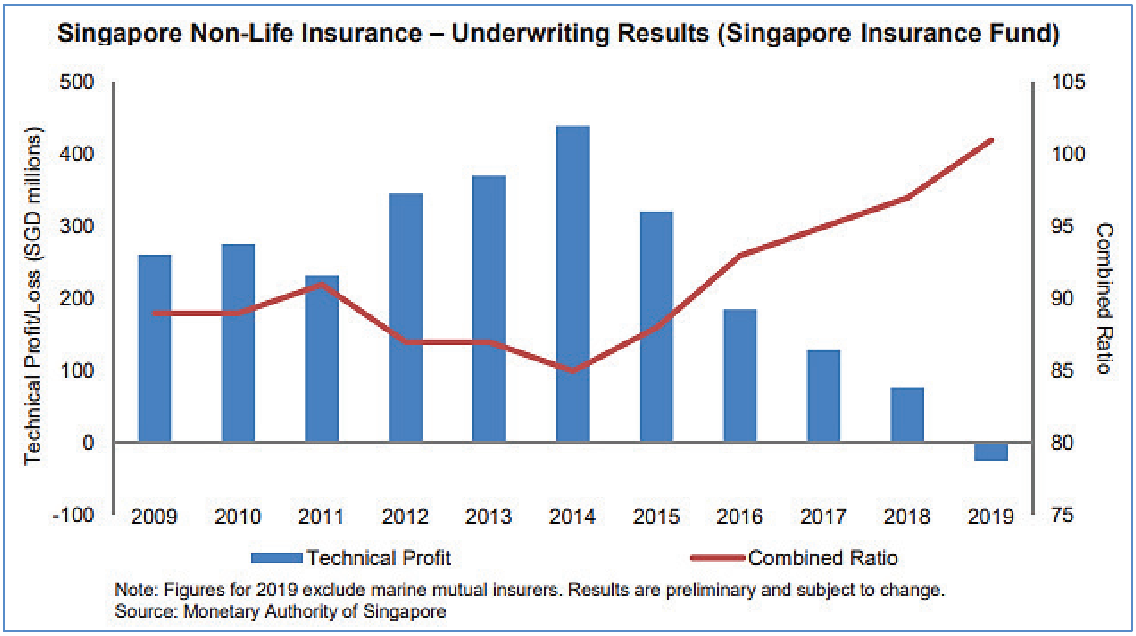
The new Best's Commentary titled, "Singapore Non-Life Insurance: COVID-19 Impacts Add to Deterioration in Underwriting Results," states that insurers' poor performance in the motor, health and workers' compensation lines of business continued, along with a significant surge in marine hull and fire insurance claims. This surge was mostly due to severe shipping losses during the first quarter of 2019 and a large increase in fire incidents, which especially involved personal mobility devices. The non-life segment's combined ratio, which hit 101% in 2019, has increased each year since 2014, when the combined ratio was 85%.



AM Best expects medical claims related to the COVID-19 pandemic to rise, albeit on a limited scale given the government's commitment to bear the costs of disease diagnosis and treatment. The country's population, of which 10% is over the age of 65, is considered vulnerable, relative to its peers in Southeast Asia, as the virus poses a greater risk to the elderly. However, a partial mitigating factor may be a decline in claims from elective medical procedures, as individuals hold off non-essential medical visits and clinics and hospitals limit such procedures during the pandemic.

Travel insurance accounted for 5% of total domestic non-life gross premium written in 2019; consequently, a sharp decline in this segment would put a dent in the already low growth of the whole non-life insurance sector. For policies sold in 2019 and 2020, which included the COVID-19 pandemic period within the scope of coverage, AM Best expects that the segment's loss ratio is likely to increase significantly over the near term, given the recent spate of cancelled flights and travel interruptions. Nonetheless, the claims outcome will still depend on the individual policy wording.

AM Best is of the opinion that the expected economic fallout in relation to COVID-19 is likely to add pressure on the market's premium growth in 2020 and potentially over the subsequent years. Although the COVID-19 pandemic's impact on insurers' underwriting results may be manageable, the negative impacts to investment results are likely to be material. However, AM Best does not anticipate significant pressures arising from the COVID-19 pandemic on the ratings of the non-life insurers it rates. These companies have solid balance sheet strengths. Nonetheless, pressure on the underwriting performance of some smaller insurers remains due to persistently challenging market conditions in several key lines of businesses. ■



Singapore Non-Life Insurance – Investment Portfolio, as of 31 December 2019 (SGD millions)

	Singapore Offshore Insurance Fund	Singapore Insurance Fund	Total
Investment Assets			
Equity Securities	2,810	885	3,695
Debt Securities	11,440	5,956	17,396
Cash and Deposits	2,992	2,316	5,308
Reserves			
Premium Liabilities	3,013	1,442	4,455
Claim Liabilities	10,193	2,709	12,902
Surplus			
Policyholders' fund	7,351	5,129	12,480
Profit and Loss			
Underwriting Result	-967	-24	-991
Operating Profit	-288	353	65

Source: Monetary Authority of Singapore

Source: Best's Commentary Report (by A.M. Best) – 27 April 2020

SOUTH KOREA

• Life And Non-Life Insurance Market Trends In South Korea

- Korean life insurers, in FY 2018, witnessed their net incomes rising by 3.0% Y-o-Y, to KRW 4.03 trillion. At the same time, they recorded a loss of KRW 335.2 billion, a drop of KRW 10.8 trillion (103.2%) Y-o-Y, as the payable claims surged, while premium incomes decreased slightly. As the insurance business weakened and the guaranteed insurance risks diminished, the provision of liability reserves also dropped by KRW 8.66 trillion (27.1%), which helped reduce the operating losses. In the meantime, investment profits reached KRW 24.11 trillion, up by KRW 2.11 trillion (9.6%) year on year as a result of an increase in interest income and dividend income. Premium income in FY2018 decreased by 2.7% year on year to KRW 110.84 trillion, whereas claims paid in FY2018 increased to KRW 86.07 trillion, up 8.4% (KRW 6.63 trillion) compared to the previous year. There were 9.74 million new individual insurance policies in FY2018, up 1.4% year on year, recording KRW 252.77 trillion of new business value, down 8.0% compared to the previous year. the new business value of general annuity insurance sharply declined, while pure endowment insurance also plummeted by 32.0% to KRW 20.91 trillion.

- In FY 2018, direct premiums written by general insurers posted 2.2% growth over the prior year amounting to KRW 80,287.0 billion. The net premiums earned2) increased by 2.6% over the previous year to KRW 78,875.7 billion. The amount of direct claims paid to policyholders in FY 2018 increased by 13.8% over the prior year, totaling KRW 33,474.2 billion. The amount of net claims paid increased by 13.0% over the previous year to KRW 31,753.8 billion. In FY 2018, the amount of net incurred loss increased by 3.6% over the prior year to KRW 65,137.3 billion. The Loss ratio rose by 0.8%p from 81.8% of the prior year to 82.6% due to an increase in the loss ratio of auto insurance (5.6%p) and P&C insurance (3.6%p) despite an improved loss ratio in long term insurance.

- The life and non-life insurance market in South Korea is estimated to register a CAGR of approximately 4% during the forecast period 2020-2025. ■

Source: Mordor Intelligence

TAIWAN

• *Life sector's outlook is negative given high investment risks*

Moody's Investors Service says in a new report that its outlook for the Taiwan life insurance sector remains negative, because the ongoing economic disruption from the coronavirus outbreak is exacerbating insurers' already weak product mix and high investment risks.

"Taiwanese insurers' products are dominated by traditional life and annuity products that carry high survival benefits, including guaranteed yields as high as 4% in some legacy policies," said Mr Kelvin Kwok, a Moody's analyst. "This means that insurers rely heavily on spread gains, which exposes earnings to capital market volatility."

Moody's says in the report "Life insurers – Taiwan: Outlook negative as prolonged low rates keep spread income weak and vulnerable" that it does not expect a meaningful change in insurers' product mix. In fact, social distancing measures and weaker economic growth due to the coronavirus outbreak will depress new policy sales and further delay insurers' shift toward a product mix less dependent on spreads.

Given prolonged low interest rates, some insurers could start reporting negative investment spreads as they reinvest maturing bond holdings at lower yields, further weakening their profits and credit profiles.

Additionally, insurers' investments are largely in equities and foreign investments. In particular, foreign investments represented close to 70% of the industry's invested assets at the end of 2019. This exposes insurers to financial market volatility, which could remain high in the next 12-18 months due to lingering uncertainties in the aftermath of the coronavirus outbreak.

Finally, insurers' capitalisation remains weak and highly sensitive to equity market movements. The outsized drop in major stock indices has significantly weakened insurers' capitalisation despite being mitigated by valuation gains on bonds from lower yields.

Nonetheless, the anticipated slowdown in premium growth will alleviate the stress on capital in the next 12-18 months. Moody's also expects insurers to step up capital issuance and preservation to fulfil more stringent regulatory capital requirements. ■

Source: Asia Insurance Review - 12 May 2020

MOODY'S

ALGERIA

Insurance Market Overview

Region: Africa
Land Area: 2,381,741 sk
Capital: Algeria
Currency: Algerian Dinar (DZD)

By Hussein Elsayed
Misr Insurance Company

The economy slowed markedly at the tail end of 2019, with annual growth falling to 0.2% in Q4 from 1.3% in Q3. As such, overall growth for 2019 slumped to a 25-year low of 0.8% (2018: +1.4% year-on-year). A steep contraction in the oil sector, with refining activity slumping markedly, drove the deceleration in Q4; in contrast, the non-oil sector ticked up slightly on surging agricultural output. Turning to 2020, the economic backdrop is likely to worsen significantly, as extensive lockdown measures curb domestic demand, while OPEC+ oil production cuts and plummeting oil prices weigh on the external sector. Furthermore, historically low oil prices will put significant pressure on state finances, with the government announcing a 50% cut in public spending in early May.

The economy is seen contracting this year due to subdued domestic demand, as private consumption falters amid lockdown conditions. Volatile oil prices and diminished global demand is a key risk to exports, while continued political tensions further cloud the outlook. FocusEconomics panelists forecast the economy to shrink 3.8% in 2020, which is down 3.2 percentage points from last month â€™s estimate, before growing 3.2% in 2021.

The Conseil National des Assurances (CNA) has published the provisional results of the Algerian insurance market ending 31 December 2019.

The total turnover, direct business and acceptances, amounted to 152.066 billion DZD (1.271 billion USD) against 143.334 billion DZD (1.2 billion USD) in 2018 that is an increase of 6.1%.

Non-life insurance was the dominant business, with premiums rising by 4.5% to DZD131.8bn (1.102 billion USD), in 2019. This represented an overall market share of 86.7%.

Motor business contributed DZD69.2bn (578.5 million USD) that is 52.5% of total non-life insurance premiums. Of this, compulsory motor third party liability insurance increased by 15.4% to DZD17bn, representing a share of 24.6% of the branch's portfolio. On the other hand, optional motor cover dominates this branch with a 75.4% share, with premium income falling by 3.8% to DZD52.2bn in 2019.

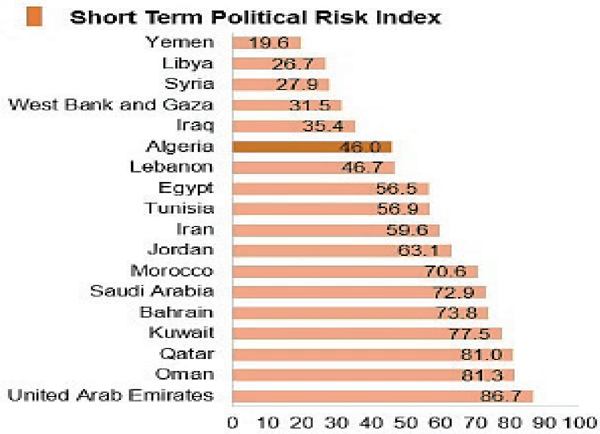
The fire and miscellaneous accident insurance recorded 51.5 billion DZD (430.540 million USD) in premiums, rising by 10.4% over one year.

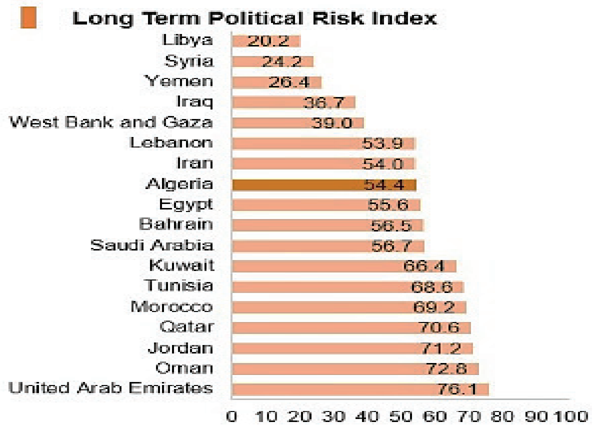
Life insurance grew by 12% to 14.329 billion DZD (119.790 million USD) compared to 12.788 billion DZD (107.035 million USD) in 2018.

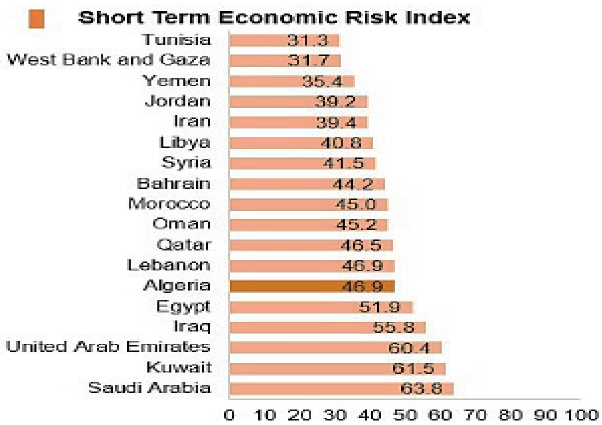
(I) ECONOMIC DATA

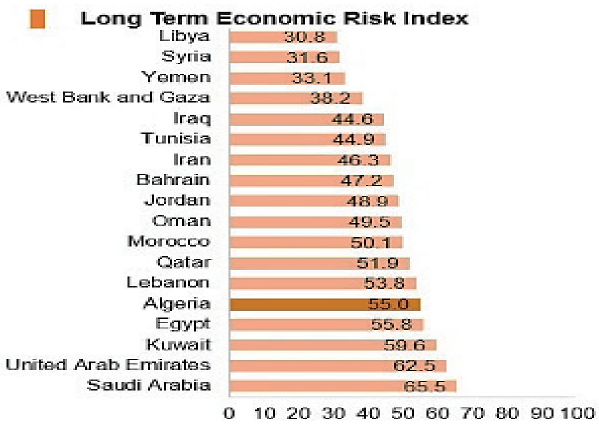
	2014	2015	2016	2017	2018
Population (million)	39.1	40.0	40.8	41.7	42.6
GDP per capita (USD)	5,465	4,166	3,920	4,015	4,080
GDP (USD bn)	214	166	160	167	174
Economic Growth (GDP, annual variation in %)	3.8	3.7	3.2	1.3	1.4
Consumption (annual variation in %)	3.2	3.6	2.6	2.2	2.7
Investment (annual variation in %)	6.4	5.7	3.5	3.4	3.1
Industrial Production (annual variation in %)	3.9	1.9	1.6	2.4	-1.5
Unemployment Rate	10.6	11.2	10.5	11.7	11.7
Fiscal Balance (% of GDP)	-7.3	-15.3	-13.1	-6.6	-4.8
Public Debt (% of GDP)	7.7	8.7	20.5	27.3	38.3
Money (annual variation in %)	12.9	11.7	3.5	14.4	0.5
Inflation Rate (CPI, annual variation in %)	3.9	4.4	5.8	5.9	3.5
Policy Interest Rate (%)	4.00	4.00	3.50	3.75	3.75
Exchange Rate (vs USD)	87.92	107.1	110.4	114.8	118.3
Exchange Rate (vs USD, aop)	80.60	100.4	109.4	110.9	116.6
Current Account (% of GDP)	-4.3	-16.4	-16.4	-13.2	-9.6
Current Account Balance (USD bn)	-9.3	-27.3	-26.2	-22.1	-16.7
Trade Balance (USD billion)	0.5	-18.1	-20.1	-14.4	-7.5
Exports (USD billion)	60.1	34.6	29.3	34.6	41.1
Imports (USD billion)	59.7	52.7	49.4	49.0	48.6
Exports (annual variation in %)	-6.6	-42.5	-15.2	18.0	18.9
Imports (annual variation in %)	8.5	-11.8	-6.1	-0.9	-0.9
International Reserves (USD)	180	145	115	97.6	80.2
External Debt (% of GDP)	2.6	2.8	3.4	3.4	3.3

Political and Economic Risk Indices









100 = Lowest risk, 0 = Highest risk

Source: Fitch Solutions Research Economic and Political Risk Indices - November 6, 2019

Operational Risk Index

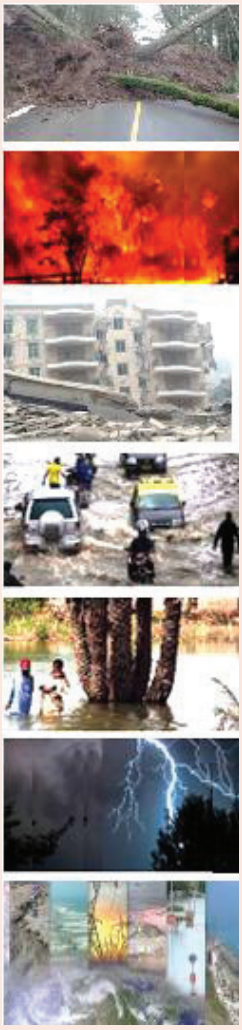
Source: **Fitch Solutions Operational Risk Index**

Date last reviewed: **November 6, 2019**

100 = Lowest risk, 0 = Highest risk

Country	Operational Risk Index	Labour Market Risk Index	Trade and Investment Risk Index	Logistics Risk	Crime and Security Risk Index
UAE	72.2	71.3	79.1	67.9	70.5
Qatar	65.4	65.0	61.8	73.7	61.2
Bahrain	64.4	63.1	69.5	71.5	53.6
Oman	64.4	62.2	61.9	64.1	69.2
Saudi Arabia	62.3	67.2	62.1	62.4	57.7
Jordan	56.1	56.9	60.7	54.7	52.3
Morocco	53.7	43.2	63.8	54.8	53.2
Kuwait	53.1	54.2	51.2	50.8	56.2
Egypt	48.4	49.9	45.7	55.2	42.9
Tunisia	46.8	42.2	56.2	46.5	42.3
Lebanon	43.8	53.0	51.9	40.8	29.7
Iran	43.3	49.5	36.7	52.7	34.4
Algeria	**38.6**	**46.1**	**31.1**	**40.9**	**36.2**
West Bank and Gaza	34.8	48.8	37.4	35.8	17.0
Libya	28.2	47.2	22.1	26.5	17.1
Syria	27.9	45.6	23.7	27.5	15.0
Iraq	26.9	43.6	24.8	26.8	12.4
Yemen	21.9	32.7	24.9	13.9	16.1
Regional Averages	47.3	52.3	48.0	48.1	40.9
Emerging Markets Averages	46.9	48.5	47.4	45.8	45.9
Global Markets Averages	49.7	50.3	49.8	49.3	49.2

Natural Hazards



EARTHQUAKES:
Algeria is a medium to high risk area for earthquakes. The northern coastal region is the most seismically active; the degree of risk reduces towards the south. The main fault, a collision zone where two continental plates converge, runs offshore under the Mediterranean Sea. Several tremors in the range Richter 3.5 to 4.5 are recorded every month by the national agency.

WINDSTORM:
Windstorm is a hazard only in the Mediterranean coastal region, but it can cause serious damage.

FLOOD:
Heavy rains can cause flooding in Algeria, but heavy insured damage is confined to the northern coastal region. Areas more than 50 miles (80 km) from the coast are not often affected. The city of Algiers has drawn up a list of 44 urban areas which are most at risk of flooding.

BUSHFIRE:
Forest fires regularly occur and, for example, destroyed about 10,000 hectares of forest in 2013, as well as over 22,000 in 2012. There is a dedicated and specially equipped fire-fighting force.

SUBSIDENCE:
Cover against subsidence on its own is not normally taken out, although it is covered under the obligatory CAT NAT scheme.

HAIL:
Cover against hail and snow is part of the windstorm cover, and included in most packages.

(II) ALGERIAN INSURANCE MARKET

Historical Development:

Before 1962 Algeria was served by French insurers.

1963 Societe Nationale d'Assurance (SAA) was set up, originally as an Algerian-Egyptian company named Societe Algerienne d'Assurance. At first SAA wrote only motor and personal lines; it now writes all classes but is still the market specialist in those areas. The Egyptian shareholding was bought out upon nationalisation in 1966. Caisse Algerienne d'Assurance et de Reassurance (CAAR) was set up as a public enterprise specialising in industrial risks, in which it is still the market leader.

1966 The public-sector insurers were fully nationalised.

1975 Compagnie Centrale de Reassurance (CCR) was set up to benefit from the reinsurance monopoly which was applicable at that time.

1985 Compagnie Algerienne d'Assurance Transport (CAAT) was set up to deal with MAT classes. It is still the market specialist.

1989 Once it was clear that socialism was failing, the various state-owned companies started competing with one another.

1995 A new law was passed liberalising the insurance market.

1997 New arrivals began to enter the market, and nearly tripled the number of companies offering insurance.

2004 The first company liquidation took place. The obligatory scheme for insurance against natural catastrophes started on 1 September.

2005-06 The insurance law was modernised. Privatisation of state insurers was discussed but no transactions resulted.

2007-08 After the settlement of an old dispute involving French insurers, several groups began planning involvement in the Algerian market.

2009-10 The rules on foreign investments in Algerian companies became more difficult. Several partnership arrangements with foreign insurers were planned, but negotiations were slow.

2011 The separation of previously composite companies became effective. Several new insurers were formed.

2017 It was announced that the motor TP tariff was to be increased over a two-year period beginning in January 2017. Takaful laws were being drafted but had not yet been finalized or approved in 2018.

2018 A bill to amend the insurance law is to be put before Parliament during the 2018-2019 session which began on 3 September 2018.

2020

- Article 84 of the 2020 Finance Act introduces a new tax called the pollution tax. Insurance companies are responsible for collecting this royalty on all motor insurance and rolling machines policies which is levied at the contract underwriting.
- The Finance Law 2020 art.103 authorizes the Algerian insurance companies to carry out a Takaful activity.
- From January 2010 accounting standards must be in a format generally similar to International Financial Reporting Standards (IFRS).

Industry Organizations

Commission de Supervision des Assurances (CSA)

Law No 06-04 of 20 February 2006 established the insurance supervisory authority known as the Commission of Insurance Supervision (Commission de Supervision des Assurances - CSA).

CSA is part of the Ministry of Finance (Ministere des Finances) and is charged with applying the legal capital and solvency margin requirements for insurance companies, reviewing applications for new companies, including statutes, details of shareholders and principal members of management, and policy wordings and proposed premium rates. It also conducts inspections of insurance companies

Le Conseil National des Assurances (CNA)

The National Insurance Council (CNA) is a state body created under Law No 95-07 of 25 January 1995 and set up in March 1997.

Its purpose is to advise the Minister of Finance on all matters relating to the organization and development of insurance and reinsurance in Algeria. The CNA also advises on the drafting of legislative and regulatory texts for the insurance industry, and its agreement is required for the authorization of new insurance companies and brokers.

(Union Algerienne des Societes d'Assurance et de Reassurance (UAR)

The Union of Algerian Insurance and Reinsurance Companies was created in 1995. Article 33 of Law No 06-04, which amended Article 214 of Law 95-07, approved the insurance association and stipulated that membership of the association is obligatory for all insurers. Its objectives are:

- to represent the interests of the profession
- to promote the sector's activities
- to work to improve the quality of the services provided by the insurance and reinsurance companies
- to assist in the establishment and upholding of a code of ethics in the profession
- to initiate and participate in activities to improve professional practice
- to contribute to the improvement of the level of qualification and training of those working in the sector.
- The association also licenses loss adjusters.

Composite insurance

Composite insurance is permitted in Algeria.

Non-admitted insurance:

Non-admitted insurance is not permitted in Algeria.

Capital Requirement

Decree No 09-375 of 16 November 2009 increased the minimum capital amounts for Algerian insurers as follows:

Companies transacting assurances de personnes and capitalisation (savings) - DZD 1bn (USD 8.77mn) for joint stock companies or DZD 600mn (USD 5.26mn) for mutuals
Companies transacting non-life insurances - DZD 2bn (USD 17.54mn) for joint stock companies or DZD 1bn (USD 8.77mn) for mutual.
Joint stock companies transacting only reinsurance - DZD 5bn (USD 43.86mn).

These amounts must be entirely paid up by licensed insurers and reinsurers.

Foreign Ownership:

In 2008 the government announced that it would limit to 49% the share of foreign investors in Algerian companies (in all economic sectors). The rule only applies to companies established after 26 July 2009 Foreign companies wishing to seek establishment in the Algerian insurance market can do so by creating a local joint stock company (in which the share of the foreign partner cannot exceed 49%), a branch of the parent company or a mutual. Since 2007 foreign companies can also establish a local representative office.

The establishment of branches of foreign companies is subject to specific documentary requirements leading to approval by the minister of finance.

Intermediaries:

- Intermediaries (brokers or agents) have to be authorized to do insurance business.
- Intermediaries are not allowed in principle to place business with non-admitted insurers but they could intermediate in a case of import cargo insurance arranged abroad by the seller.

Taxation:

The 2017 budget approved by the president in late 2016 increased the rate of VAT which applies to insurance premiums from 17% to 19% and from 7% to 9% on some basic items.

Statutory Tariffs:

Each company can set its own rating schedules, but these must be agreed by the insurance supervisor. There are set rates for some obligatory insurances.

Compulsory Insurances

- Motor third-party liability insurance
- Property insurance against natural disasters,
- Fire and explosion cover for private, public or mixed capital enterprises.
- Fire and accident insurance for holiday centre organisers/excursion organisers.
- Professional liability for those involved in construction/architects/technical inspectors.
- Professional liability for insurance brokers.

- Professional liability for real estate agents.
- Professional liability for establishments conducting the taking and processing of blood.
- Liability towards users and other third parties, for any person, company or association having premises open to the public and/or available for commercial, cultural or sporting activities.
- Hull insurance on all Algerian-registered vessels and aircraft.
- Workers' compensation
- Mining companies must insure all of their activities.
- Mobile telephone operators' third party and professional liability covering both activities and products.
- Shipowners' liability for marine oil pollution (a financial guarantee or insurance).
- Third party liability for providers of mechanical lifting devices.
- Third party liability for the civil economic sector (industry).

In all there are 32 various obligatory insurance categories.

Pools:

Since July 2010 a pool of Algerian insurers has been in operation for decennial liability insurance. The pool was established by the state reinsurer CCR and has the involvement of the French reinsurer SCOR. The current maximum capacity of the pool is DZD 3bn (USD 26.31mn). Compliance with the legal obligation to insure in respect of decennial coverage is reported to be close to total because building permits cannot be obtained without appropriate proof of insurance. The premium is paid 100% at inception of the coverage, therefore the unearned premium reserve is 100% in year one, declining in steps of 10% per annum thereafter.

There are no other pools currently operating in Algeria.

Policyholder protection

A policyholders' protection fund was established with a levy not exceeding 1% of premiums. Decree No 09-111 of 7 April 2009 sets out further details of this fund. The Fonds de Garantie des Assures (FGAS, insureds' protection fund) is called upon if the regulatory authority finds that the assets of an insurer are insufficient to cover its liabilities to insureds. An order dated 28 October 2009, which was published in the official gazette of 20 October 2010, set the FGAS levy at 0.25% of written premiums less cancellations

Reinsurance

- Executive Decree 10-207 of 9 December 2010 amended and completed Executive Decree No 95-409 of 9 December 1995 in relation to obligatory reinsurance cessions, requiring at least 50% of all reinsurance cessions to be placed with the state reinsurer, Compagnie Centrale de Reassurance (CCR).
- CCR receives these obligatory cessions from all companies, along with a considerable volume of freely placed reinsurance. Algerian insurers do not consider it obligatory to cede 5% of their treaties to Africa Re, but some do make a cession of up to this percentage.
- International reinsurers should have a rating of at least BBB, though this does not apply to the local state reinsurer CCR (which enjoys an implicit state guarantee) or supranational reinsurers such as Africa Re.
- Foreign reinsurance brokers are required to obtain an authorization from the insurance supervisor in order to place reinsurances of local companies. The rule was introduced in Article 50 of the Complementary Finance Law of 2010.

INSURANCE MARKET PERFORMANCE & STATISTICS

Market Structure

In 2018 the market was comprised of 24 insurance and reinsurance companies

- 13 non-life insurance companies
- 8 companies licensed to transact "assurances de personnes" business (life, PA, health, travel and assistance insurance)
- 1 export credit company
- 1 real estate credit company
- 1 licensed state-owned reinsurer
- 36 licensed brokers (2016)

Algerian Insurance Market 2014-2018:

Gross premium by class 2014-2016

in US$ million

			Non-Life					Life	
Year	Exchange Rate	Total GPI	Motor	Property & Misc. Accident	Marine & Aviation	Total Non-Life	% of GPI	Total	% of GPI
2014	80.5790	1,475.5	761.4	531.4	78.9	1371.7	93.0%	103.8	7.0%
2015	100.6914	1,222.6	657.9	457.8	57.2	1,172.9	95.9%	49.7	4.1%
2016	110.5200	1,182.7	590.4	427.5	62.8	1,080.7	91.4%	102.0	8.6%

Sources: ARIG Annual Reports, Atlas Mag

Turnover per class of business in 2018

	Turnover 2018		2018 shares	2017-2018 evolution (1)
	In DZD (000)	In USD (000)		
Non life insurance				
Motor	68560000	573847	49,77%	5.40%
Property damage	48228000	403668	35,02%	1.35%
Marine	5697000	47684	4,14%	-2.45%
Agricultural risks	2439000	20414	1,77%	49.82%
Credit	81000	678	0,06%	-46.71%
Total non life	**125005000**	**1046291**	**90,76%**	**3.95%**
Life insurance				
Life-Death	5153000	43132	3,74%	-4.80%
Group benefits	3243000	27144	2,35%	-0.03%
Accident	1552000	12990	1,13%	-8.38%
Assistance	2689000	22507	1,95%	-9.19%
Health	77000	644	0,06%	-36.89%
Capitalization	12000	100	0,01%	-
Total life	**12726000**	**106517**	**9,24%**	**-5.27%**
Grand total	**137731000**	**1152808**	**100%**	**3.03%**

Ranking of Algerian Insurance companies per GWP in 2018

nk	Company	Turnover 2018 In DZD (000)	Turnover 2018 In USD (000)	2018 shares	2017-2018 evolution
	Non life insurance				
1	SAA	27679000	231672	20.10%	4.34%
2	CAAT	24126000	201935	17.52%	4.32%
3	CAAR	15195000	127182	11.03%	0.27%
4	CNMA	14025000	117389	10.18%	7.79%
5	CIAR	10099000	84529	7.33%	10.08%
6	CASH Assurances	9499000	79507	6.90%	-11.73%
7	Salama Assurances	5158000	43172	3.74%	7.75%
8	Alliance Assurances	5002000	41867	3.63%	4.16%
9	GAM	3859000	32300	2.80%	11.40%
0	2A	3849000	32216	2.79%	6.06%
1	Trust Algérie	3547000	29688	2.58%	29.17%
2	AXA Assurances Algérie Dommage	2967000	24834	2.15%	-3.23%
	Total non life	**125005000**	**1046291**	**90.75%**	**3.95%**
	Life insurance				
1	Cardif El Djazair	2603000	21788	1.89%	6.64%
2	SAPS	2066000	17292	1.51%	-0.43%
3	AXA Assurances Algérie Vie	2046000	17125	1.48%	-17.13%
4	Caarama Assurances	1695000	14187	1.23%	-20.39%
5	Macir Vie	1413000	11827	1.03%	-1.46%
6	AGLIC	1302000	10898	0.95%	144.74%
7	TALA	1119000	9366	0.81%	-39.51%
8	Le Mutualiste	482000	4034	0.35%	-4.37%
	Total life	**12726000**	**106517**	**9.25%**	**-5.27%**
	Grand total	**137731000**	**1152808**	**100%**	**3.03%**

(1) Growth rate in local currency
Exchange rate as at 31/12/2018: 1 DZD = 0.00837 USD ; 31/12/2017 : 1 DZD = 0.00862 USD

➢ Penetration & Density 2014-2018

	Insurance penetration rate					Insurance density *(In US$)*				
	2014	**2015**	**2016**	**2017**	**2018**	**2014**	**2015**	**2016**	**2017**	**2018**
Morocco	2,85%	3,05%	3,37%	3,81%	3,68%	91,78	89,15	99,25	117,39	120,39
Tunisia	1,76%	1,92%	1,94%	2,14%	1,88%	75,69	74,28	71,69	74,56	64,71
Algeria	0,67%	0,72%	0,74%	0,70%	0,66%	36,89	30,20	29,04	28,20	27,30
Egypt	0,66%	0,63%	0,59%	0,53%	0,66%	22,15	22,80	20,82	12,90	16,74

➢ Algerian Insurance Market in 2019:

	Premiums DZD m			Market share	
	2019	2018	Change	2019	2018
P&C	131,849	126,169	4,5%	86.7%	88.0%
Life	14,330	12,789	12.0%	9.4%	8.9%
Total direct	146,179	138,958	5.2%	96.1%	96.9%
Reinsurance	5,888	4,377	34.5%	3.9%	3.1%
Total	152,067	143,335	6.1% 8	100.0%	100.0%

Source: National Insurance Council, Algeria

➢ Reinsurance Business 2018 & 2019

Reinsurance Business 2018

Algerian state owned reinsurer Compagnie Centrale de Reassurances (CCR) has posted a turnover of DZD32,077m ($270m) in 2018, an increase of 8.84% over 2017, according to the company in its annual report for 2018.
This growth was driven by both national and international acceptances. Domestic and international sales increased respectively by 7.75% and 16.25%.

Domestic

Domestic acceptances by CCR amounted to DZD27,700m in 2018. This was 86.35% of total premium income, compared to 87.22% in 2017.
The Algerian economy showed a growth rate of 2.3% in 2018 against 1.4% in 2017.
The domestic insurance market in Algerian saw total turnover of DZD143bn in 2018 against DZD140bn in 2017, this represented growth of 2.2% in 2018 against 3.6% in 2017.
In the reinsurance sector as a whole, the 2018 estimated ceded premiums of the domestic market increased by 7.18% compared to 2017, to DZD39bn from DZD36bn. CCR's 2018 share in this market remained the same as in the previous year, i.e. 71%.
The share of compulsory cessions fell from 60.43% in 2017 to 56.09% in 2018.

International

International acceptances by CCR stood at DZD 4,377m in 2018. This represented a share of 13.65% in 2018 compared to 12.78% in 2017. The growth in international business reflects the marketing and commercialisation efforts of the company, as part of the implementation of its commercial development policy on the international market, said Hadj Mohamed Seba, CCR chairman and CEO.

Profit

CCR's profit in 2018 was DZD3,094m, 5.23% higher than the DZD2,941m reported for 2017. The growth was driven by investment income which climbed by 23.52% in 2018 to DZD1,993m from DZD1,613m in 2017.

Reinsurance Business 2019

The Algerian reinsurance market, including international contracts, recorded an 11.2% growth in 2019 compared to 2018, according to the 2019 annual report of the National Insurance Council (CNA).

Reinsurance premiums reached DZD35.7bn ($278m) last year, compared to DZD32.1bn in 2018 ($270m). As state owned domestic reinsurer Compagnie Centrale de Reassurance's (CCR) is the only company authorized to carry out reinsurance business in Algeria, the figures also represent the reinsurer's financial performance.

The CNA data show that domestic business accounted for an 83.5% share of CCR's total premiums.

Business generated **domestically** reached DZD29.8bn in 2019, an increase of 7.5% compared to 2018.
This increase is due largely in expansion in several branches of insurance, including the signing of "Special Risks" treaties with two insurance companies.

International contracts recorded growth of 34.5% to DZD5.8bn due to increased business in the accidents and miscellaneous risks and Nat CAT classes of business. Despite growth in its international portfolio over recent years, CCR's business profile remains heavily concentrated in Algeria.

Compagnie Centrale de Réassurance (CCR) 2018

Turnover US$ mn	Share capital US$ mn	Net result US$ mn	Shareholder's equity US$ mn	A.M Best Rating
271.2	186	26.2	258	B+ Stable

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Cyber Insurance | Report by Oxford Business Group

As the risk of data theft continues to rise, the cyberinsurance segment is poised for significant growth

The threat of cybercrime has risen dramatically in recent years, and emerging markets are no exception. While the shift towards online platforms – along with the development of the internet of things, smart cities and blockchain technology – is generating significant opportunities for wealth creation and helping to raise efficiency, it is also creating a new set of complex challenges for governments, businesses and individuals.

LLOYDS BANK

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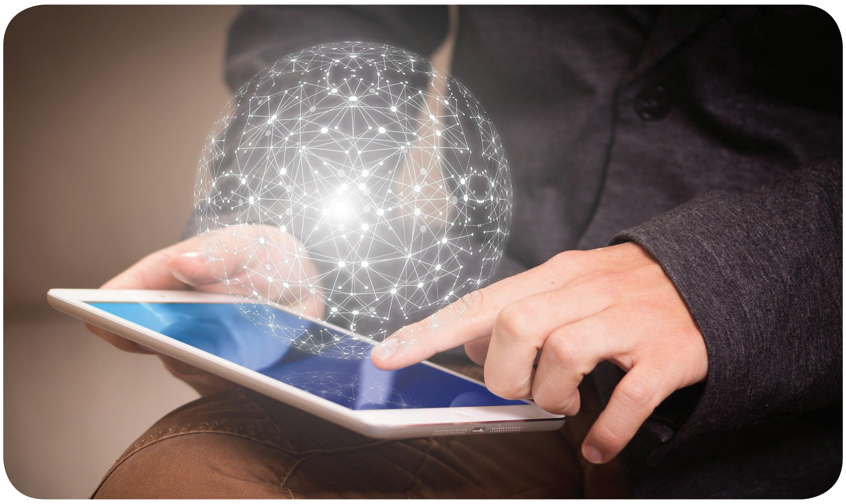
Cybercrime

The widespread nature of cyberthreats has led to a considerable increase in the resulting cost of cybercrime. In 2015 UK bank Lloyd's estimated that cybercrime, including direct damage and post-attack disruption to operations, cost businesses as much as $400bn globally. The UN's International Telecommunications Union (ITU) predicted that this figure would reach $2trn by the end of 2019, while industry analyst Cybersecurity Ventures expects global damages to cost $6trn by 2021, a figure that would make cybercrime more lucrative than the illegal drugs trade.

Cyberinsurance

The elevated threat, along with the rise in cost, is driving investment in protection, with global cybersecurity spending expected to total $1trn between 2017 and 2021. A growing share of this protection is cyberinsurance. While it is not considered an all-encompassing solution, cyberinsurance is an increasingly important form of security as companies, government institutions and individuals look to protect themselves from threats. Policies usually include first-party risk coverage – related to the business' own assets – or third-party risk coverage, which deals with the assets of others, usually in the form of clients or customers. In terms of specific policies, coverage falls into one of three categories: standalone cyberinsurance; package deals provided within traditional policies such as general liability; and non-affirmative – also known as silent – coverage, whereby exposure to cybercrime is neither explicitly included nor excluded from coverage, which can often lead to uncertainty and litigation during the claims process. While cyberinsurance was first developed in the 1990s to protect telecoms and professional services companies against the loss of customer data, many insurers in more developed markets now provide cyber-related services, such as prevention programmes and postbreach response services. Additional services offer more practical assistance, such as deploying forensic investigators to look into the causes of the breach and offer solutions, public relations professionals to help with reputational damage and skilled negotiators to deal with ransom demands.



While still in its infancy, the cyberinsurance market has seen rapid growth in recent years. Market analysts estimate that global premium would rise from $1.5bn in 2016 to $6bn in 2019. As awareness grows, industry figures predict this could increase to $15bn by 2022 and to $20bn by 2025. While representing an estimated 1% of global insurance premium, a 2017 report from consultancy KPMG estimated that cyberinsurance growth was expanding at 10 times the rate of overall cybersecurity investment, highlighting its strong potential. Despite this expansion, cyberinsurance is still concentrated in data-heavy areas such as financial services, technology, retail and health, which make up the bulk of global premium. According to research published in 2017 by UK insurance company Aon, financial institutions accounted for 29% of premium in the US cyberinsurance market – by far the

KPMG

Aon

Empower Results®

world's largest – followed by retail and wholesale (21%), health care (15%), business services and manufacturing (6% each).

Just as premium are concentrated in a small number of industries, the bulk of global market share is held by a few established, multinational insurers. The world's 10 largest cyber-writers hold more than 50% of global premium, and are dominated by US and European companies. Some of the major players are Chubb, AXA, AIG, Lloyd's, Travelers and Beazley.

Growth Drivers

The growth in coverage has been driven by an accelerating shift towards digitalisation across the world. As companies and government institutions continue to migrate their services online, more and more executives have identified cyberinsurance as an effective way to secure their assets. In addition, a number of high-profile cyberattacks in recent years have helped to raise awareness of threats.

Another factor helping to drive cyberinsurance growth is the enactment of data protection legislation. Laws such as the EU's General Data Protection Regulation (GDPR), which was implemented in May 2018 and can fine companies for leaks in customer data, have been cited as factors driving insurance rates. Similar data protection laws are present in the US, with such legislation and stringent cyberattack reporting regulations common features of countries with greater cyberinsurance penetration. However, just as legislation has helped to drive cyberinsurance penetration, a lack of relevant regulations has proved to be a disincentive to uptake. In countries without strict reporting regulations, cyberattacks often go unreported, with companies fearful of the resultant reputational damage. As such, it can be difficult to gauge the rate of cybercrime in some countries.

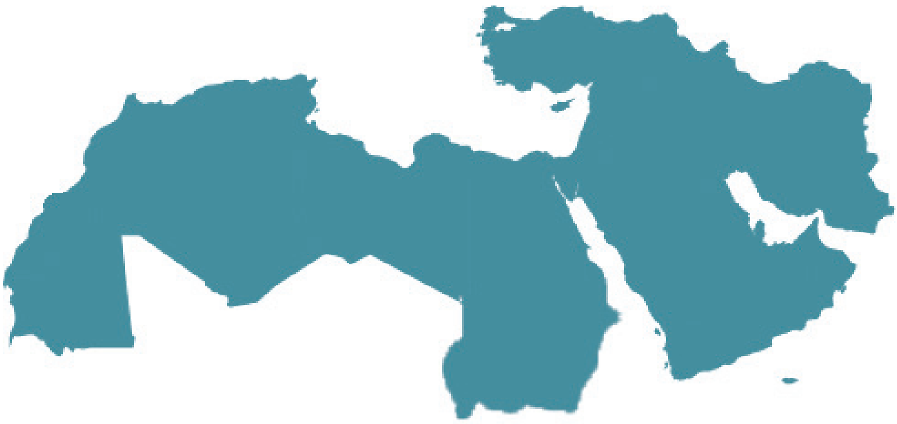
Global Leaders

Cyberinsurance is dominated by industrialised, high-tech countries.

For example, the US accounts for roughly 80-90% of the global market. Around 15% of US firms purchase cyberinsurance, significantly higher than in other parts of the world, where the rate is often below 1%. The EU holds about 5-9% of global market share; however, this figure is expected to increase as more companies comply with GDPR requirements.

Together, these markets account for between 85% and 95% of global premium, according to various estimates. While uptake among other regions – particularly developing economies – remains low, it also indicates significant room for growth.

Middle East & North Africa



The substantial cyberattack on state-owned oil company Saudi Aramco in 2012 emphasised the significance of cybersecurity for many governments and companies in the Middle East and North Africa (MENA). The hack, described at the time as the biggest in history, saw 35,000 computers either partially wiped or completely destroyed within a matter of hours. While oil production remained steady due to the automation of drilling and pumping, the company's ability to supply approximately 10% of the world's oil was threatened as it was unable to make payments to distributors and other industry stakeholders along the supply chain. A report published by Siemens and the Ponemon Institute in 2018 found that half of all cyberattacks in the Middle East had targeted the oil and gas sector.

As a result of this risk, countries in the region have generally been more alert to cyberthreats. In the ITU's "Global Cybersecurity Index 2018" report, five countries in the MENA region – Saudi Arabia (13th), Oman (16th), Qatar (17th), Egypt (23rd) and the UAE (33rd) – were ranked in the top 35 out of 175 countries for cybersecurity protection. While cyberinsurance penetration is still low in the region, solutions are becoming increasingly available. In Saudi Arabia, online-focused insurer Tawuniya launched a series of cyberinsurance products in 2019, while industry officials in Morocco have sought to improve the regulatory framework and implement policies to meet expected demand.

Sub-Saharan Africa

Despite having some of the lowest levels of cybersecurity

in the world, cyberinsurance has yet to make a significant impact in sub-Saharan Africa. While overall uptake is still low, there have been significant developments in a number of the region's more advanced countries.

South Africa leads the way with the most mature cyberinsurance market south of the Sahara, while in Kenya, which has a comparatively developed financial technology and digital payments market, efforts have been made to cover a variety of risks. In August 2019 Britam General Insurance, a subsidiary of Britam Holdings, the country's largest insurer, launched a cyberinsurance policy aimed at large firms, small and medium-sized enterprises, hospitals and state-owned bodies.

The rollout comes as Kenya lost an estimated KSh29bn ($284.1m) in 2018 as a result of cyberattacks, while official statistics showed that the number of hacks increased by 10% year-on-year in the first three months of 2019. As in the US and the EU, cyberinsurance should see growth in Kenya after a new data protection law was passed in November 2019. Under the law, which complies with the EU's GDPR requirements, those found guilty of breaching data protection measures face a maximum fine of KSh3m ($29,400) or two years in prison.

Ghana is another country with significant cyberinsurance potential but low penetration. Despite being one of the most rapidly expanding economies in Africa, with an average annual growth rate of more than 7% between 2017 and 2019, there are a limited number of companies offering cyberinsurance, and uptake remains slow, in part due to a lack of awareness. "Cyber liability insurance is important for any entity that keeps third-party data, thus demand for this cover should be high. Most corporates are exposed but do not seem to know that they can transfer the risk to the insurance markets," Darlington Munhuwani, CEO of Allianz General Insurance Ghana, told OBG.

Asia Pacific

The Asia-Pacific region has varied levels of development in its cyberinsurance markets. While it is home to some of the world's most innovative countries in this respect, other economies still have nascent or very limited options. In terms of broader cybersecurity, Asia Pacific is home to five of the top-15 countries in the ITU's "Global Cybersecurity Index 2018" report: Singapore (6th), Malaysia (8th), Australia (10th), Japan (14th) and South

Korea (15th). In November 2018 Singapore announced the launch of the world's first commercial cyber-risk pool, a facility that provides insurance to corporate buyers. The pool will commit up to $1bn in risk capacity, and is backed by capital from traditional insurance companies and insurance-linked securities markets.

With 150m internet users and an underdeveloped cybersecurity system, Indonesia is at the epicentre of global cyber-vulnerability, experiencing more than 200m attacks in 2018. Indonesia is also the world's largest source of cyberattacks, with poorly connected servers being used to target both domestic and foreign firms. Given the significant threats – and the size of the market – Indonesia has more expansive cyberinsurance coverage than some of its South-east Asian neighbours, with most major banks, along with a range of private firms and start-ups, offering policies.

While cyberinsurance coverage is forecast to gain traction in Indonesia, at the far end of the scale countries such as Papua New Guinea and Myanmar have limited industries dedicated to cybercrime and risk in general, with subsequently low levels of cyberinsurance. However, the ongoing liberalisation of the insurance sector in Myanmar could provide a platform for future cyberinsurance development.

Latin America & the Caribbean

Latin America has also experienced a rapid increase in both cyberthreats and cyberinsurance penetration. While coverage is still comparatively low, a rise in high-profile data breaches is helping to raise awareness. For example, Mexico experienced 300% growth in cyberinsurance premium in 2018, according to insurance broker Lockton Mexico. This came as MXN300m ($15.5m) was siphoned from five financial institutions in 2018.

The intergovernmental Organisation of American States

Marcelo Hernández

estimated in 2019 that cybercrime inflicts financial losses of $3bn-$5bn per year in Mexico. "Both regionally and globally, a lack of cybersecurity is one of the top threats facing businesses, and this is only growing as societies become increasingly digitalised and interconnected by technology," Marcelo Hernández, CEO of AIG México, told OBG. "Many emerging economies are underprotected, and therefore the growth in cyberinsurance will be most pronounced in these markets over the coming decade."

Peru is experiencing similar conditions: according to local media, the number of cyberattacks grew by 600% year-on-year in August 2018. This has created more awareness within the business community and resulted in increased investment in cybersecurity, rising from $135m in 2017 to $180m in 2018. While Peru still has a low level of cyberinsurance penetration, it is expected to grow in the near future.

Common Challenges

Despite the threat of cybercrime increasing, the uptake of relevant forms of insurance remains low in developing countries. According to the "Global Cyber Risk Perception Survey Report 2019", released by US insurance and risk-management company Marsh and multinational technology giant Microsoft, 31% of businesses surveyed were unsure whether the cyberinsurance policies on offer could meet their needs. Although this figure was down from 44% in 2017, it shows significant room for improvement.

THE CHALLENGE

Many business owners feel that they are removed from the threat. “Cyber-risk has historically been viewed as an internal IT security issue. There is a famous saying in Trinidad and Tobago – ‘God is a Trini’ – which means that people think certain things are never going to happen to us,” Rodney Farah, managing director of the Trinidad-based insurance broker PRFC, told OBG. This perspective is shared by many small businesses. According to the 2019 survey by Marsh and Microsoft, 57% of firms with annual revenue over $1bn were likely to have cyberinsurance, compared to 36% of those with annual revenue under $100m.

Although large organisations remain key targets, smaller firms are increasingly suffering from data breaches. KPMG noted that big businesses accounted for less than 20% of global cyber-losses in 2016, and professional services firm Accenture found that 43% of cyberattacks targeted small businesses.

Looking Ahead

Despite some of the challenges, cyberinsurance is expected to continue its strong growth trend across emerging markets as more companies and government institutions migrate their operations online. An increase in data protection laws across these regions should also help to drive expansion, with industry analysts expecting much of the market growth to come from mid-sized companies. Furthermore, as the market matures, so will the products on offer, and insurers are anticipated to target new sectors and provide more specific policies. ■

Source: Oxford Business Group, 2020

Written by Roger Peverelli and Reggy de Feniks - Founders The DIA Community on 25 Jun, 2020

INTRODUCTION

The world is experiencing a unique situation. Over the past months hundreds of millions of people from all over the globe have been forced to stay home, overnight. The economy, supply and demand came to a halt. The current pandemic determines what we talk about, what we can do and what our future looks like. Every sector feels the consequences, insurance as well. Besides all the necessary short-term measures that are taken, insurers also need to think about the future beyond the current crisis. Most probably, the world we were so familiar with has changed. We identified four post-covid trends that are most relevant to insurers. Four key trends insurers should definitely tap into.

Cover photo: Willem Velthoven / Anne Lakeman for Mediamatic Amsterdam

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DIGITAL INSURANCE AGENDA

WAKING UP IN A DIFFERENT WORLD – AND RAPIDLY ADAPTING TO IT

During the first couple of weeks we found ourselves in a post-apocalyptic movie like Mad Max. High streets turned into ghost towns. Mass panic buying popped up; of all types of shelf-stable food, survival gear and water. In the US, according to Yelp, gun interest went up 360%. As if people were preparing for the end of time. But human adaptability turned out to be astonishing. Very quickly everyone tried to make the best out of the changed situation. Where we cannot follow our old routines anymore, like going to the supermarket to get groceries, people immediately find an alternative by meeting their needs online. And when we could not work at the office anymore, we almost seamlessly continued at home. Even while combining this with home-schooling for kids. Forced but still: the scale of changes in consumer behaviour, in such a short period of time is gigantic and unprecedented.

TRYING OUT NEW THINGS

For a lot of people, the current situation provides a reason to try new things. DIY stores and garden centres watch their revenues rise. Baking pies and playing board games have become popular activities. Alcohol consumption went up by 42% in the San Francisco Bay Area and in China the amount of divorces significantly increased. This must be an unprecedently interesting time for behavioural scientists.

THE WORLD IS ABOUT TO OPEN UP AGAIN, LITTLE BY LITTLE

In many countries the lockdown measures are alleviated little by little. Now that the world is becoming open to us again, we can start giving more attention to the post-pandemic future.

Some expect, or hope, that everything will get back to how it used to be. We believe that because of covid we entered a new era. Not only because of the impending economic crisis, but mostly because covid has the potential to create more permanent changes in customer perceptions and behaviour. A number of covid-related shifts in customer behaviour are temporary, purely based on coping with the crisis, but other, more fundamental shifts are here to stay.

Clubbing in the social distancing era. Photo Mathijs Mekking for Poppodium Doornroosje Nijmegen

Although we know that the pandemic will eventually wane, a significant part of our new behaviour will stick. Insurers that also want to be successful after the crisis have to understand this new behaviour and turn this understanding into propositions and experiences that strike the right chord. They should start thinking ahead and reimagining the way they can stay relevant after the dust has settled.

FOUR KEY POST-COVID TRENDS INSURERS SHOULD TAP INTO

We believe that, specifically for the insurance industry, the current crisis amplifies four consumer trends that determine the priorities of insurance customers and what they will value in a post-covid world. These four trends should serve as inspiration to reimagine the future of insurance beyond covid. Let's take a closer look at each of these trends.

Photo: iStock by GettyImages

1 HEALTH FIRST MORE THAN EVER

NOTHING MORE IMPORTANT THAN HEALTH

If one thing became clear during the last couple of months, it is that at the end of the day there is nothing of greater importance than your life and health. And almost everyone agrees to that. Individuals, governments, and businesses around the world do everything to protect themselves, their families, their citizens, and their employees. Virtually everyone is prepared to make huge sacrifices; to drastically change the way we live. Even to put our entire economy in jeopardy.

We also notice that in the behaviour of people. Not just by staying at home but also by paying way more attention to health than before. What we learn about the virus contributes to that. Not only pre-existing conditions such as cardiovascular diseases and diabetes increase the chances of complications and death but also not so serious features, such as being overweight and excess belly fat do so. As a result, they are starting to exercise more and eat healthier.

MORE EXERCISE

The millions stuck-at-home are keen to exercise. Not only because they are bored, but also because they want to improve their lifestyle. According to Yelp, interest in home fitness equipment has shot up 344% and hiking is up by 116%. Yoga mats, kettlebells, but also bicycles are selling like toilet paper. The online wellness industry is booming as well. Meditation apps, digital fitness classes and online platforms such as Peloton, a home exercise-bike company, are growing fast. Subscriptions to workout video channels more than doubled. Videoconferencing platform Zoom, through which many workout, yoga and dance classes are broadcasted, has in fact become one of the most important 'social wellness' platforms.

Photo previous page: courtesy Mirror.com
Photo: TorwaiStudio / Shutterstock.com

MORE HEALTHY FOOD

Food trends that were already on the radar are now becoming even more important. Data shows that as social distancing persists, home cooking is on the rise. Online cooking courses are booming. People becoming more health-conscious and spending more time in their own kitchens, will further the already growing demand for fresh, healthy, and additive-free food. They are looking for products that suit their lifestyle and the life stage they are in, and that reduce health risks. Fruit and veggie shops are up by 102%, according to Yelp. LiveHelfi, a leading online functional food and supplement retailer, saw a sales increase of 75% in just three months. Personal nutrition schemes increase as well; to optimise health or to prevent getting sick.

MORE SELF-TRACKING

All sorts of health apps experience a growing popularity. People value the sense of 'having control' over things. Now even more than before. To monitor what you do, how you sleep, what you eat, how you feel, how much you exercise and so on. Self-knowledge through self-tracking with the use of technology. An increasing number of people wear self-tracking devices on their skin providing data that even goes under the skin. It doesn't get more personal, more intimate.

MORE WILLINGNESS TO SHARE DATA

With an identified contamination you want to have a quick and complete understanding of who that person had contact with to control the spread of the virus. Several countries immediately made efforts to use data from smart phones.


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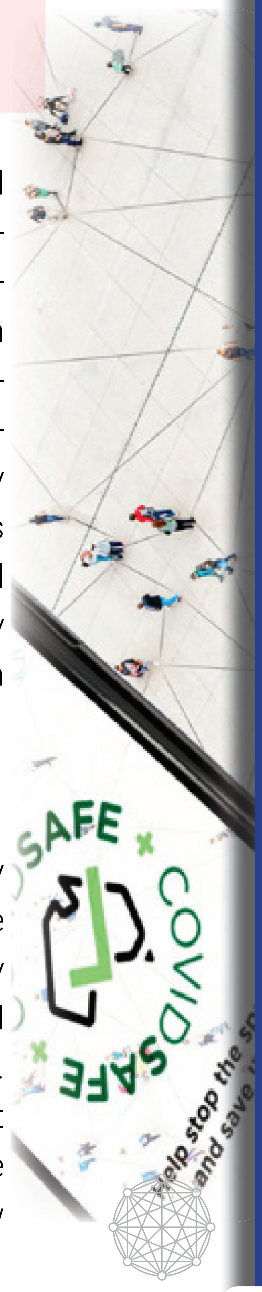
- The government of Singapore came up with a community-driven contact tracing app called Trace Together. The app is able to identify people who have been within 2 meters of coronavirus patients for at least 30 minutes, using bluetooth. Infected individuals can choose to allow the Ministry of Health to access the data in the app to identify those close contacts.
- YiTong Health, from China, launched a monitoring platform for employers to monitor the health of employees. The tool generates daily health reports of employees, an automatic evaluation of covid risks, and provides precaution courses for employees.
- LingBan provides a chatbot solution for communities to monitor the covid situation. It automatically makes daily phone calls to the community members with a high risk of infection to check the health status of the neighbourhood and with covid. AI helps to perform tracking, monitoring, and reducing further risk.

All examples in the box are Asian. But although the importance attached to privacy differs per geography, we notice the adoption of similar solutions in other regions as well. In just a few days, the Australian government's COVIDsafe app had been downloaded millions of times. In Norway, more than 25% of the population have downloaded the coronavirus tracker smartphone app Smittestopp (Infection Stop) of the Norwegian Institute of Public Health in its first week. Apparently, many Australians and Norwegians are willing to play an active role themselves to prevent the spread of the virus and to share some of their personal data since it provides substantial benefits. It just proves that reciprocity is the only way to solve the privacy issues that consumers have with sharing data.



MORE PRESSURE ON THE HEALTH SYSTEM

The lockdowns had much to do with the pressure experienced on every part of the health system. In hospitals, the occupancy rate of intensive care units has been way above 100% for months. Taking care of elderly relatives is massively impaired by the corona crisis. GPs quickly adopted online channels to avoid unnecessary movement and physical contact. They found that online appointments are more time efficient and most will continue to use online channels more than they used to. The sense of urgency for digital health solutions as well as the benefits are now clearer than ever.

TREND 1
HEALTH FIRST - OPPORTUNITIES TO SEIZE

1. HEALTH INSURANCE WILL GROW

Many expect the volumes in health and life insurance to grow in the next few years. The current pandemic enhances the overall concern for personal health and wellbeing. It will make consumers more aware of the importance of adequate life and health insurance plans.

2. PRO-ACTIVE AND PREVENTIVE SERVICES BEYOND TRADITIONAL INSURANCE

This has been widely discussed for some time now. The added value of an insurer is shifting from only covering risk when there is damage, to rendering pro-active and preventive services as a substantial part of the offering. It will take a while before a vaccine is developed and everyone is vaccinated. Instead of simply waiting for that to happen, efforts can already be made to prevent contamination and to promote a healthier lifestyle. By eating better and exercising more you become more resilient. Insurers should play an active role, or even take the lead, in promoting a healthier lifestyle with tangible services. This would also immediately increase the social impact of the insurance industry.

Former boxer and three-time Olympic medallist Arnold Vanderlyde, who also promotes sports as a way to reduce the effect of the virus, uses the following boxing metaphor: 'The more you move, the less likely you are to get hit'.

3. DATA DRIVEN HEALTH AND WELLNESS PLATFORMS

Platforms that combine self-tracking, data and all sorts of incentives to help customers with healthier habits will become even more relevant than they already are. In the long-term personalised nutrition may even accelerate the cross-over between food, tracking and advanced analytics. Connected health devices combined with these platforms form the foundation for entirely new business models in the health insurance sector; shifting from a transactional to a relational, collaborative, participatory model, assisting customers to manage their health over time.

Quite a few insurers are already exploring such platforms; either by developing these from scratch themselves or by teaming up with an existing platform and immediately leveraging the expertise of an experienced provider, such as dacadoo , PAI Health, Virgin Pulse, Vitality or Wellmo. Insurers need to move from exploration to adoption at scale.

4. ACTIVE PARTICIPATION BY CUSTOMERS

Trackers and platforms provide actionable information and insights that users can act upon. In turn, this allows a much more active role for customers within insurance products and services. The 'quantified self' movement and the adoption of covid-tracking apps clearly show not only the consumers' need for more control and empowerment, but also the desire and readiness to take a more proactive approach themselves; in personal health and wellness in general, but also in assessing symptoms, connecting with healthcare providers and improved self-management of care. Active participation allows customers to take more responsibility, leading to more equality in the relationship with insurers. This is a fundamental shift in the relationship and a great new perspective on innovation.

5. ECOSYSTEMS WITH HEALTH PROVIDERS

Current health systems are not sustainable due to the rapidly aging population and rising healthcare costs. Connected healthcare devices allow healthcare providers as well as health insurers to extend their reach and interactions with patients. Sharing data among all stakeholders, optimal use of this data and remote patient monitoring have the potential to change the way of working entirely, keeping healthcare efficient, affordable, and accessible. The application of all sorts of connected devices, telemedicine solutions and advanced algorithms improve patient care. While also decreasing total health care costs across the health ecosystem. These applications need to be taken to the next level as well. For instance, providing home-care solutions and flexible opportunities to engage with care providers for the elderly and the individuals that live independently.

Examples of the wide variety of innovative tech providers that link insurers t health ecosystems:

- Telemedi.co (Poland) : Decreasing medical costs for insurance companies using telemedicine and AI solutions.
- Mediktor (Spain) : Supports health insurance clients from symptoms to the best action within 5 minutes.
- Medlanes (Germany) : On-demand digital network, leveraging blockchain to access quality-assured medical providers while controlling costs for health and life insurers.
- Infermedica (Poland) : AI-powered platform which makes it easier to pre-diagnose, triage, and connect patients with the appropriate medical services.
- Breathomix (The Netherlands / Romania) : Cloud-based breath analysis solution for rapid and efficient diagnoses of different types of diseases, empowering personalised medicine.
- reFit Systems (Mexico / Germany) : Digital therapy system for individual rehabilitation, developing state-of-the-art digital solutions for healthcare and medical technology.
- Vayyar (Israel) : Provides valuable insights into the health of elderly persons, reducing costs of emergency medical services and long-term hospital-isation.
- HiNounou (China / Singapore) : Wellness ecosystem and platform for seniors and their families.
- Neurotrack (USA) : Cognitive health platform helping to assess risk for memory loss, and providing tools to prevent and manage cognitive decline.
- Somnox (The Netherlands) : On a mission to improve people's lives by sleeping with a robot.

Photo : Maria Symchych / Shutterstock.com

SHIFT TO DIGITAL ON FAST-FORWARD

Covid put an already ongoing shift to digital on fast-forward. The whole planet just had a crash course in connected living. Working from home, days filled with virtual meetings on Zoom, Teams or Meet. Shopping for everything online, from groceries to fashion and electronics. Remote classes for children instead of going to school. Streaming movies. Online workouts and yoga classes. Ordering food, even from the finest restaurants. Having drinks with friends on Zoom. Worshipping from home. Even attending a funeral online in real time. It all became kind of normal in a short period of time.

After years of incremental change in small steps digital routines were embraced, forced though, within a few weeks. The longer we keep on following new routines, the bigger the chance that these changes will stay. Consequently, all kinds of aspects of connected living have become normal. What we currently experience is a fundamental shift in how people will live and work. Connected living is the new norm. It will reframe our daily life.

- Under quarantine, time spent online in China was up by 20%, according to research by Nomura.
- In some European countries Vodafone's internet usage has surged up to around 50%. The increase in data comes from a wide range of activities, from housebound school children logging on to Fortnite, from watching movies on multiple devices, as well as from people using bandwidth because they work and videoconference from home.
- The demand for online porn has increased massively because of the corona crisis. So much that the government of France requested sex sites to decrease the quality of their footage just to unburden the internet.
- In the US, according to streaming media intelligence provider Conviva, streaming during the pandemic has climbed sharply (26%) as well.
- Those stuck inside are desperate for social contact. Almost 45% of global consumers are devoting more time to social media and over 10% are also creating and uploading videos themselves, says Global Web Index.

MORE REMOTE WORKING

Humans are creatures of habit. Every morning you got out only to await the daily traffic without ever thinking whether it could be done differently. Millions of people now got the chance to experience days without long commutes. The pandemic could permanently shift working patterns. Until recently many companies were reluctant when it came to remote working. But even with the functions which we thought could not be performed from home earlier this year, it seemed possible a couple of months later. Before the crisis for instance, many companies assumed working from home would be completely unthinkable for call agents. Business owners and managers are discovering that solutions such as Zoom, Teams and Google Meet are adequate for a fair share of meetings and that much knowledge work can be carried out remotely. Many employees are starting to question why they had to go into the office in the first place. It looks increasingly as if the situation will not go back to how it was. At least not entirely.

In response to the crisis, Nationwide, a top 10 US insurer, announced plans to permanently work-from-home in 16 of its 20 locations. When the company was forced to transition quickly to a 98% work-from-home model it turned out it could serve their customers and partners without compromising the quality of service. "Our goal is to ensure that when a recovery comes, we're prepared to win business with competitively priced solutions while enhancing our resiliency and operational efficiency," says CEO Kirt Walker.

SMARTER AND SAFER HOMES

The fact that consumers in general will be integrating all sorts of new technologies into their daily routines will have its impact on their homes as well. Homes around the world are going to become more connected and smarter in the coming years.

Remote working also leads to new risks. Most people are working in environments which are simply not set up for work. Take Zoom, which became extremely popular in a short period of time but is also under attack because of security issues. According to Bitdefender the number of digital attacks in March was no less than 475 percent higher than in February. Hackers create false domains for Zoom sessions and send phishing mails containing 'covid news' in the subject line. Safety and reliability are more important than ever.

MORE CHANGES IN MOBILITY

The impact of covid on mobility is multifaceted and because of that hard to predict.

People are happy that they are allowed to leave the house again, but for the time being they will be careful. People will, at least when they can afford to, prefer not to make use of public transportation. Those who can, will use their own car to get to work, and prefer to commute alone. Among others China, the Netherlands, Turkey and the UK already report an increase of sales of new and/or used cars. Obviously, this could lead to more traffic and consequently more accidents. On the other hand, as people and organisations get more used to remote working, they will be reconsidering commuting to work. Mobility patterns will definitely shift.

Skylines / Shutterstock.com

- German PHYD insurers that use SwissRe's telematics solution have seen the weekly number of car trips plummet by 41.4% in March and April compared to February. In the same period speeding has increased by 21.3% in average.
- Insurers using Amodo technology noticed a 56% decline in number of active drivers, 35% decline in number of recorded trips, and a 32% decline in the recorded distance through all users on the platform in April compared to March.
- The Floow saw a huge drop in journeys being recorded, such as a 90% overnight drop in South Africa, and a slower initial response from the UK which eventually led to a 30% drop in journeys on 24th March, the day the lockdown was announced.

MORE DEMANDING CUSTOMERS

Consumers now experience the convenience of mobile and online services even more. They expect comparable service levels from insurers as well. Customers will increasingly reach out to their current providers to meet their needs digitally. And if that doesn't work, they will turn to another supplier that does a better job. A lot of insurers found out the hard way. When governments put a halt to face2face meetings, the sales of traditional insurers, brokers and agents collapsed.

WEAKNESSES OF TRADITIONAL MODELS REVEALED

The gap between digital leaders and laggards has become wider. This development has already started and is not new. It just accelerated. The impact goes beyond the daily operations. It is about the business model. While many incumbents have always viewed their face2face channels as an important differentiator, during this crisis they do not even appear to be a qualifier. And even worse, it made incumbents vulnerable. The traditional distribution model turned out not to be competitive and sustainable. On top of that it was not agile enough to respond fast to changing conditions and a less physical world.

The digital models on the other hand, have proven to be resilient and successful in these difficult times. Just check the box on the next page to find out what the executives of digital players in the DIA Community shared with us. It seems that digital models are better protected against the crisis and more future proof. Advanced technologies allowing for remote transactions lead over traditional models. Never before have these differences become so clear. That the insurance industry needs to become much more digital is nothing new. But the outbreak made clear how slow the digital transformation of insurance has been to date.

- Steven Mendel, Co-Founder and CEO Bought by Many (UK) : "Our sales rocketed up at the end of March and start of April as the lockdown set in - with sales doubling YOY."
- Federico Malek, CEO at iúnigo (Argentina) : "During the first weeks of the lockdown we suffered just like the traditional companies. But in eight weeks, we've experienced a full recovery, with new business similar to the pre-lockdown period, while the traditional business is still on minus 40% vs pre-lockdown. This means we are gaining share."
- Jamie Hale, Co-Founder and CEO Ladder (USA) : "Yes, we're picking-up market share at an ever-greater rate than before. What is happening in ecommerce is happening in insurance as well."
- Martin Fleischer, board member BavariaDirekt (Germany) : "There was no decline during or after the shutdown. On the contrary. We saw an increase, especially in dog liability insurance."
- Bill Song, CEO ZhongAn Tech Global (China) : "While covid hit the Chinese insurance industry quite heavily and virtually every incumbent in the Chinese market saw a decline in sales, ZhongAn achieved 33.7% top line growth and 122.4% bottom line growth."
- Fleur Dujardin, CEO InShared (The Netherlands) : "We are lucky to experience a strong growth and increase in sales and customer satisfaction. People increasingly look for fair online offerings with a good price. On top of that customers really value our unique proposition. The money we don't need this year to pay out claims, will be returned to our customers."
- Christian Wiens, Co-Founder and CEO Getsafe (Germany) : "At Getsafe, we are already seeing a shift from physical sales towards online sales: Since the covid outbreak our sales numbers have grown by 20% and we had the strongest months in our company's history."

TREND 2
CONNECTED LIVING - OPPORTUNITIES TO SEIZE

1. PREREQUISITE:
INSURERS NEED TO BECOME MORE CONNECTED AND AGILE

Being digital is paramount. More and more insurance executives are realising this. The current crisis is a wake-up call to many. They see the strategic importance and there is a clear sense of urgency. Simple digital products, online services and customer experiences, delivered at lower cost; becoming more connected and agile – they have become essential for continued growth. For many also essential for survival. It is no longer an option to press the snooze button once again.

This will also lead to an energising quicker adoption of new technologies and a bigger role for insurtechs that enable the acceleration of digital transformation and innovation - since the time frames to achieve this have been compressed.

Among the 2,500 tech companies in the DIA Insurtech Database around 80 percent are 'enablers'. They focus on assisting established carriers, to improve or renew specific parts of the value chain or help them to create new ones. This ranges from offering platform solutions to allowing a specific part of customer interaction to take place remotely. It is definitely interesting to take a closer look at these solutions to spark new ideas.

Innovative platform solution providers include companies such as Bambi Dynamic, DIG, Evari, iptiQ, Keylane, msg global, Tieto, UiPath, Vlocity and vlot.

Companies that make remote digital interaction possible include for instance BDEO, boost.ai, Quattroruote Professional, Scanbot, Surfly, TechSee, Tractable, Xtract and Zelros.

2. USAGE BASED CAR INSURANCE WILL BECOME MAINSTREAM

Especially when people will use their car less it will lead to an increase in the demand for simple solutions that reflect actual usage. Why pay a flat rate for a car that most of the week won't leave your front porch? It could be that covid will push for usage-based car insurance to finally become mainstream.

3. NEW GENERATION OF HOME INSURANCE WITH CYBER AND SERVICES

Thanks to connected devices, insurers will be able to offer personalized services meeting the lifestyle needs of customers. The more time we spend at home, the more important such services become as an extension of home insurance. More and more connectivity at home and all the new data streams that come with it open up all sorts of new ways, which add value. New services that help customers manage their house better and decrease the total cost of ownership. With people working more from home, also after the crisis, the importance of cyber security will further increase. It is therefore likely that the scope of home insurance will broaden already in the short term; new propositions combining home insurance, IoT, cyber security and services.

Sample insurtechs that help established carriers to launch usage-based car insurance: Amodo, Cambridge Mobile Telematics, DriveQuant, The Floow, Kruzr, Octo Telematics, Sentiance and TrueMotion. Most providers look beyond mileage and more sophisticated pricing. They are missioned to promote safer driving. CM Telematics for instance, found that distraction by smart phones can be more dangerous than alcohol. By providing feedback on driving behaviour that drivers can act upon they allow a much more active role for customers within car insurance products and to take more responsibility.

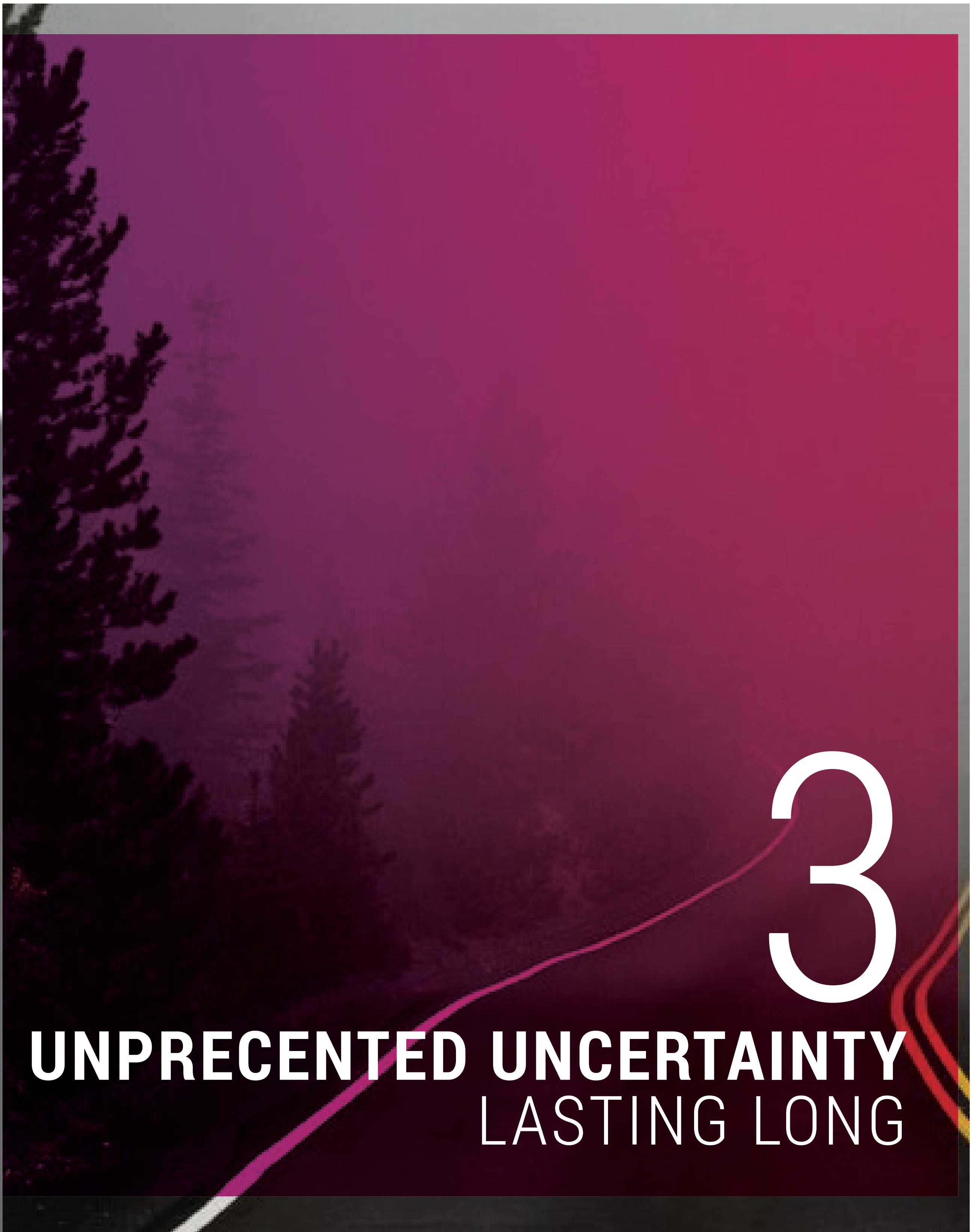
Ideally, we would think of intelligent combinations of what companies such as mitipi, Shayp and ROC Connect have on offer in terms of combining smart home technology, property assistance services, insurance and improving customer engagement; with cyber solutions such as offered by CyberCube, CyberDirekt, CyberWrite and F-Secure. We call this 'Innovation Multiplied': combining innovations to come up with something that is even more innovative and that unlocks totally new economic value.

4. RECIPROCITY TO SOLVE PRIVACY ISSUES

The use of customer data means fresh grounds for concern over privacy. Obviously, insurers need to manage concerns that many consumers have. Reciprocity is the answer. Consumer's perceptions about the use of data by insurers will flip if they use the data to put customers in control and to offer something meaningful in return. It's all about giving more than you take. The added value insurers deliver based on consumer data should be perceived as bigger than the cost of handing over privacy in return. They should combine things the customer can't combine themselves and/or that customers would never think of.

5. DATA PROTECTION

For centuries, insurers were engaged with offering protection to their customers. It would make a lot of sense to also assist customers in protecting their data. Not just by offering cyber insurance, but by offering new services. The so-called PODS (Personal Online Data Storage) introduced by Zurich are a great example. The customer owns the data and solely decides whatever part of the data they would like to share with e.g. a third party. When you think about the enormous new data flows this immediately triggers numerous ideas for new value propositions.



3

UNPRECENTED UNCERTAINTY LASTING LONG

THE SENSE OF CONTROL IS FAR AWAY

In recent decades, technology has given us more and more control over the way we live. Just think of something as mundane as navigation systems so we never have to get lost again. Or search engines that provide all information at our fingertips. And the possibilities seemed endless. Literally even: Elon Musk was well on his way to colonize Mars. It is only June, but we already know that the year 2020 will forever be known as the year of biblical disasters. The immense bushfires in Australia, the grasshopper plagues in Africa, Pakistan, and India, and on top of that covid. In a few months' time it seems we have been thrown back to the Middle Ages, where plagues lurk around every corner. We've suddenly woken up to the reality that the world is much more fragile than we once believed. Nothing is as certain as it once seemed. The sense of control seems to be very far away.

ONGOING CONCERNS ABOUT HEALTH

In the first place, people are obviously concerned about the virus and their own health. What exactly is covid? Could I have it? If so, what can I do about it? How can I prevent my parents from getting infected with the virus? When will there be a vaccine? There is an enormous hunger for information. Thanks to the internet the amount of information available is overwhelming, but unfortunately for us not always reliable ...

Sevilla players celebrate their victory against rival Betis in a totally empty stadium. ANP Photo (2020) / Photo: STR

MORE QUESTIONABLE INFORMATION

Alongside the pandemic an infodemic is also taking place. Disinformation and misinformation occur on an unprecedented scale. The arrival of the virus immediately resulted in panic buying of toilet paper, because, according to social media, this is produced in China and would therefore soon not be available anymore. Looking back on this situation most of us can have a laugh about it. However, we also see conspiracy theories on Facebook, the spread of well-meant but non-factual tips via WhatsApp and a world leader who suggests that disinfectant injections might help. According to the World Health Organization the infodemic is as dangerous as the pandemic itself. When people do not know what to believe and who to trust anymore, it becomes more difficult to have proven solutions and advice from scientific experts followed.

- MyHealthDiary (Indonesia) is specifically missioned to tackle this problem of misinformation by offering trustworthy medical information only. People who download the app have access to free webinars about topics like why social distancing is important, how to identify symptoms,knowing if a rapid test kit is effective and weeding out hoaxes about covid in the media. By providing this information, MyHealthDiary educates Indonesia about covid.
- Other tech companies that immediately created solutions to tackle the misinformation problem include Mediktor, Wellmo, SDA and Infermedica.

ANP Photo (2020) / Photo: Ahn Young-joon

MORE VULNERABLE ECONOMIES

In addition to uncertainty about the pandemic and individual health, covid has painfully exposed the Achilles' heel of individual companies and the economy. Think of too much dependence of distant countries for production and supply, and operating models that did not turn out that robust after all. Even a giant like Apple only had stock for ten days. Many brick and mortar companies did not have their ecommerce in order. Others turned out to be too dependent in their sales on customers in distant, suddenly unreachable countries.

In just a few months the situation and prospects of companies have changed drastically. The annual plans for 2020 have already been taken care of by the shredder. Companies are mainly working hard on saving what can be saved.

GLOOMY ECONOMIC PROSPECTS

The sudden drop in supply and demand also causes bleak forecasts for the economy. When it comes to the supply side of the economy it could be that we already experienced the worst. In more and more factories people are starting to get back to work again. The question is whether that is also the case for the demand side of the economy. The economic devastation of the pandemic is becoming painfully evident. In February, the unemployment rate in the US was only at 3.5%. As a result of covid this percentage went up to 14.7% in April. In just two months it went from an all-time low to the highest unemployment rate since the depression 100 years ago.

DECLINE IN PROPENSITY TO SPEND

Deep economic shocks and unemployment are normally accompanied by financial uncertainty, less consumer confidence, and a shift away from spending. Consumers prefer to save their cash amid uncertainty. According to research by personal finance company Bankrate 52% of Americans had already cut their spending in response to the pandemic. 54% of consumers are no longer considering the purchase of big-ticket items such as homes, cars, holiday trips, and luxury goods over the next three months. The situation may be more positive in Europe. To prevent unemployment many countries introduced schemes aimed at keeping people employed. This may also lead to higher confidence and propensity to spend.

UNCERTAIN EXIT PATHS

The upcoming period will be a critical one. The various exit paths across countries from lockdowns will be precarious. Locking everything and then opening up again is not as easy as it seems and creates alignment challenges across virtually every supply chain. When will the economy get back on its feet again? Will consumers and businesses start spending more? Just as much as before the crisis? We do not know how uncertain consumers will deal with the new health protocols. Can we expect a new peak in infections in autumn? What will the consequences of the recession look like by then? Will it be even more severe than we already experience today?

MORE STRESS AND REDUCED MENTAL AND PHYSICAL HEALTH

A recession will further impact population health. Events that increase during economic downturns, such as becoming unemployed and losing financial and housing assets, result in more gloominess, more stress and reduced mental and physical health. This is further amplified by people's concerns about covid, their own health and those of their loved ones. In the last week of March, meditation app Headspace saw a 19-fold jump in users completing a calming exercise and a 14-fold increase in those doing a 'reframing anxiety' session. It's a bad omen.

TREND 3
UNPRECEDENTED UNCERTAINTY - OPPORTUNITIES TO SEIZE

1. SAFETY AND RELIABILITY ARE MORE IMPORTANT THAN EVER

Consumers will have a lower appetite for risks than they had before. Consequently, it is likely that they are more and more interested in protection than they were before. Insurers have the opportunity to explicitly confirm the feeling of protection and peace-of-mind to their customers.

2. SIMPLE, TRANSPARENT, AFFORDABLE PROPOSITIONS

The economic downturn and resulting thriftiness increase the demand for insurance solutions and price propositions which are simple, transparent and cost-efficient. We already mentioned that PAYD, usage based and on demand car insurance may become mainstream – so that you only pay for what you actually use. We expect the same for embedded insurance concepts; in which coverage is part of the purchase of a product or service – so that you don't have to worry anymore. Bsurance, Moonshot-Internet, Qover, Servify, and ZhongAn are examples of companies that already tap into this.

PSD2, the EU payment services directive, creates opportunities to all sorts of third parties to provide new opt-in services to banking customers. Although it is hardly on the radar of insurance carriers, we believe PSD2 has the potential to revamp the bancassurance model. Moving from bank partnerships for just distribution and using bank data in marketing and underwriting processes to really being much closer to customers. The right PSD2 applications offer great opportunities to link insurance to a certain payment, making insurance much more individual and much more real time.

3. EMPOWER CUSTOMERS

Most people want to make the right decisions in all areas of life. In uncertain times this is even more crucial than ever. Especially when there is a growing number of unreliable information sources, it is important to be a trusted source of information and to provide guidance. Data enables insurers to help consumers enhance their lives by drawing actionable insights out of their data sphere and by giving feedback to customers, for example suggestions to adjust behaviour that otherwise could lead to costs of damage, increased health risk or bad prospects.

Insurers should aspire to give customers 'superpowers' with all the available data. Think of speech-to-speech language translators that free you from having to learn foreign languages. Of GPS car navigators helping you find your way without knowing your way. In the coming period we will see if insurers can give their customers similar kind of superpowers.

4. LEVERAGE RISK MANAGEMENT CAPABILITIES

Helping customers deal with uncertainty is the core business of any insurance firm. We believe there are ample opportunities to leverage these core capabilities to provide new added value to customers, in commercial and retail, beyond offering insurance. The current challenging times offer insurers a great opportunity to sit down with customers and leverage their expertise to actively help customers also with risk management advice (not just an insurance) on how to navigate through these difficult times.

4 EMPATHY IN EVERYTHING
SHOW YOU CARE

Photo : Italians in lockdown make music together from their balconies to boost morale.
ANP Photo (2020) / Photo: Ciro Fusco

RETREAT FROM GLOBALISATION

Globalisation was never perceived as a blessing by everyone anyway. Which makes sense; except for a tiny minority, most people find themselves in a very local community throughout the year. Due to the outbreak everyone really experienced the disadvantages of globalisation. The pace at which the virus spread worldwide as well as how fast supply chains stopped are in the perception of many the consequences of globalisation.

EACH COUNTRY ITS OWN STRATEGY

In the first place, citizens look to their national governments to protect them from the pandemic, which most of the governments did firmly. We have rarely seen governments making such rigorous decisions in such a short time. Leaders from major countries had to radiate decisiveness whilst often using strong language; with a certain eagerness they compared the pandemic to 'war'. To combat the virus each country uses its own solutions. Which makes sense looking at the large differences between countries. But soon the blame game started, every country primarily cared about themselves, and embarrassing fights about medical supplies such as respiratory equipment and masks took place. We haven't seen much of international coordination and later on of solidarity. The benefits of globalisation have been carefully hidden during the past period.

MORE SEARCH FOR SELF-RELIANCE

This retreat from globalisation had already started, think of Brexit and the White House trade wars. During the upcoming period countries and companies will keep looking for solutions to reduce current and future economic vulnerabilities. 'Self-reliance' is the most used word. Japan provides subsidies to companies to get supply chains back to the country again. The Prime Minister of India explicitly said that 'a new era of economic self-reliance has begun.' The reflex is control of one's own fate and search for strategic autonomy. Citizens in different countries are encouraged to buy products from their own country, city and neighbourhood to support local businesses and to rebuild the local economy. #supportyourlocal has grown into a trending hashtag.

VALUE OF FAMILY IS ON THE RISE

The retreat from globalisation is accompanied by turning inward and a shrinkage of our world.

We also see this on an individual level. During the period we had to stay at home people also rediscovered all kinds of long-neglected traditional life skills and pastimes. Baking bread, playing board games or simply spending a little more time with your loved ones. Self-isolation has forced us to rethink family time. The value of family is on the rise again. Not only because family acts as a safety net. In hard times, the connections we have with the people around us keep us grounded. Something we will need for quite some time.

It made us think of an Allstate commercial which was aired during the financial crisis in 2009, with actor Dennis Haysbert (who played the first African-American president of the US in the hit series ‘24’) telling the viewers: “After the fear subsides, a funny thing happens … People begin enjoying the small things in life … A home-cooked meal … Time with loved ones … Appreciating the things we do have … The things we can count on …”

MORE SENSE OF CONNECTION AND TOGETHERNESS

The crisis also brought up something unexpectedly positive. Everyone is doing their best to help all of us get through this trying time. According to Yelp, interest in blood and plasma donation is up 204%. Clients are buying gift certificates from their favourite local restaurants to help keep them in business. Toy animals are placed in front of windows so that little kids can go ‘bear hunting’. Applauding professionals and volunteers in the health sector. Italians started singing from their balconies to enhance the feeling of community. Beer brewers recycled stock to produce hand sanitizer. And of course the absolute posterchild: 99-year old Tom Moore raising millions for NHS staff by walking laps in his garden. The number of heart-warming examples during the outbreak is unbelievable; also in insurance and insurtech. Just check our article on ‘how insurers and insurtechs are helping to fight the pandemic’. An unprecedented sense of connection and togetherness is noticed. People really care about each other.

ANP Photo (2020) / Photo: Justin Tallis

TREND 4
EMPATHY IN EVERYTHING - OPPORTUNITIES TO SEIZE

1. TOUGH TIMES ARE AN OPPORTUNITY TO SHOW YOU CARE

Challenging times see people craving for institutions that care. Consumers expect their financial service providers to support customers who are facing difficulties. Show you care when customers experience moments of truth. In March, Kees van Dijkhuizen, CEO of ABN AMRO, said: "'During the previous crisis banks were part of the problem. At this moment we are emphatically part of the solution." Standing at this crossroad insurers must actually ask themselves a similar existential question as well: As an insurer, do you want to be a part of the solution or do you want to be known for causing more problems?

- In response to the shelter-in-place orders, motor insurers in the US issued premium discounts to compensate policy-holders for their reduced risk. State Farm for example, announced a 25 percent discount for all policyholders through May 31; a discount that implied a reduction of about USD 2 billion dollars in premium revenue.
- UK insurer Beazley offered a 60 day premium pause for commercial clients "because we understand our commercial clients are under pressure to keep their businesses running at the same time as sharing the responsibility to reduce the spread of covid-19 within communities".
- Hundreds of UK firms thought they were covered when the government told them they had to close their doors because of corona. Their business interruption insurance policy literally said that the insurer would pay out when a business was forced to shut owing to a notifiable disease. But when these business owners filed claims, the insurer said the policies did not provide cover for business interruption 'because of the general measures taken by the government' in response to the pandemic. A part of the companies is likely to go bankrupt.

2. EMPATHY IS A PILLAR FOR DIFFERENTIATION

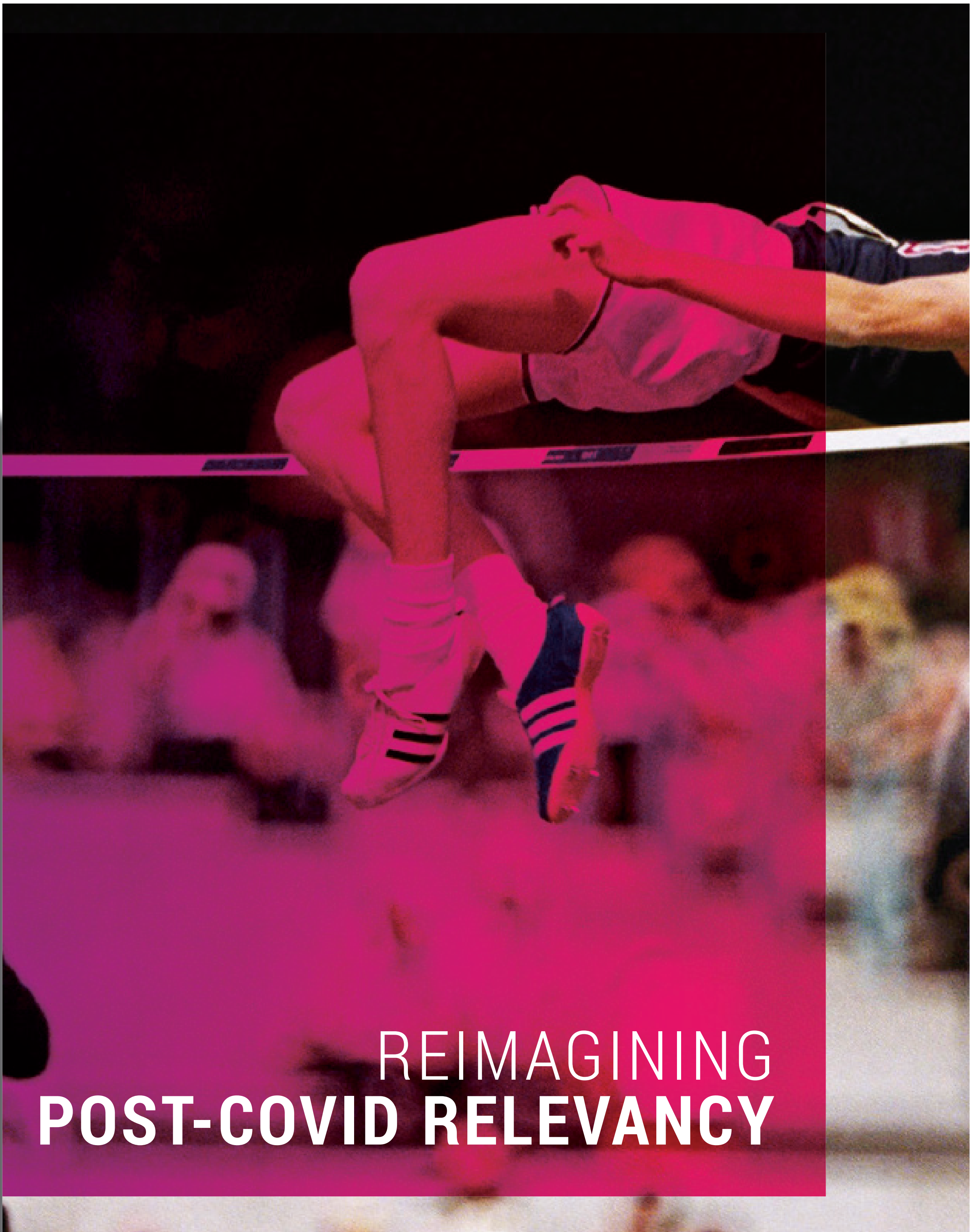
The empathic, emotional part of the relationship will become more and more important for consumers. Demonstrate your company's commitment to individual customers and emotionally engaging with them. Actively reach out to clients. Act in the customer's best interest. Treat customers the way you would like to be treated. Simple gestures can make a big difference. The objective is to enhance your usefulness for the customer. In turbulent times, showing that you care will find an extra appreciative audience and certainly won't be forgotten. Customers are also likely to return favours by being more loyal and more willing to spread the word about their experiences with you. Furthermore, employees and executives alike find that it is more engaging to work for a company with a caring mindset.

> Examples of tech providers which help carriers to empower employees, brokers and agents by using artificial intelligence to support human intelligence include AdviceRobo, Force Manager, Glia and Helpshift.
> In all cases such applications lead to better conversations, higher customer satisfaction and improved conversion rates.

3. LEVERAGE THE HUMAN SKILLS OF CO-WORKERS, BROKERS AND AGENTS

Now more than ever, to relate to their customers, insurers need to secure the feelings side. Humans inject emotion, empathy, passion, creativity, and can deviate from the procedure if needed. The thousands, sometimes even tens of thousands of employees working at an insurance firm, as well as all the brokers and agents, are the most valuable asset to accomplish exactly that. The challenge is to use advanced technologies to empower them; making them even more effective and efficient. Creating the best of both worlds.

DJ throwing a party for his neighbourhood with a pop-up balcony set. iStock by GettyImages



REIMAGINING POST-COVID RELEVANCY

Photo previous page: Dick Fosbury reimagined the high jump, winning gold at the Mexico City Olympics of 1968.
ANP Photo (1968)

THE FOUR TRENDS SET THE STAGE

Covid is having a significant impact on people's lives, beyond 'social distancing'. It seems the Maslow pyramid is turned upside down; putting your HEALTH FIRST is the top priority. The trends towards CONNECTED LIVING shifted into a higher gear. The UNPRECEDENTED UNCERTAINTY that people experience regarding the health situation, the recession and their job security is not likely to change soon. The current crisis also highlights the importance of EMPATHY IN EVERYTHING and the human dimension. Consequently, consumers and businesses are looking for a new generation of products and services that fit these new circumstances.

Leaders of insurance companies therefore not only have the short-term challenge to keep their business afloat. At the same time, they also have to make sure the company remains relevant in the new market conditions once the dust is sort of settled. They need to fast forward digital transformation and reconsider not only processes, products and services, but distribution and operating models as well. Moreover, they should think of new business and revenue models, leverage the latest technologies and insurtech partnerships and seize new opportunities. The four trends set the stage.

NEVER WASTE A GOOD CRISIS

It's not all gloom and doom. A crisis usually functions as a great breeding ground for innovation. Innovation is no longer optional but urgent and crucial. It is impossible to fight this crisis with the same instruments that you use when everything is going well. The new conditions and constraints force us to think in new ways. Moreover, we see across industries and companies that executives and employees are more open to radical solutions and are much more efficient in realising these solutions. Think of how rigorously companies and colleagues have switched to remote working. If we abstract from the current situation, we can only conclude that we got exciting times ahead. If we know how to seize the opportunities.

3rd FAIR Reinsurance Forum

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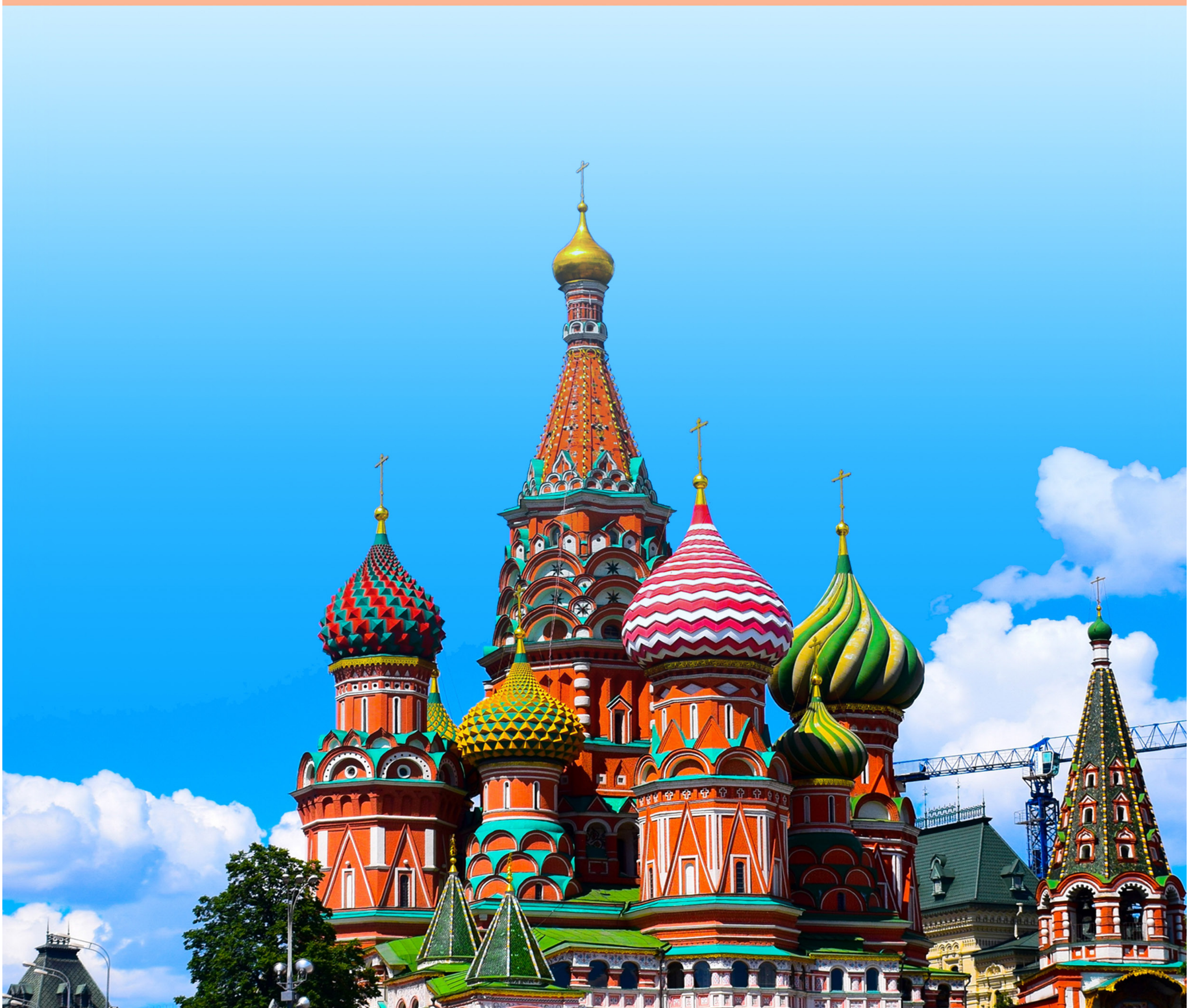
Mark Your Diary



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