Issue No. 195 (March 2023)

Market Overview of

Ghana

Market Overview of

Sri Lanka

It's a Risky Business, We've Got You Covered.

Financial Strength Rating of 'A' Strong (Stable Outlook) by Fitch Ratings

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FAIR Review

FAIR in Brief

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

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FAIR Review

The "FAIR Review" is published quarterly by the central office and circulated to Members free of charge. It is devoted to disseminate the research work, articles and information, to enhance professional knowledge among insurance professionals.

The articles in FAIR Review represent the opinion of the authors and are not representative of the views of FAIR. Responsibility for the information and views expressed lies entirely with the author(s).

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Global Reports

• *Insurance & Reinsurance 2023*

The Insurance & Reinsurance 2023 guide covers 27 jurisdictions. The guide provides the latest information on sources of insurance and reinsurance law, overseas-based insurers or reinsurers, making an insurance contract, intermediary involvement, alternative risk transfer (ART) transactions, warranties, conditions precedent, insurance disputes and insurtech.

Last Updated: January 24, 2023

Law and Practice locations | Trends and Developments locations | Compare locations

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Cayman Islands	Ireland	Philippines	USA
Chile	Japan	Portugal	
China		Singapore	

By Simon Cooper

A Year Dominated by COVID-19, Climate Change and Geopolitical Conflict

Although the human cost of the COVID-19 pandemic gradually receded in most parts of the world during 2022, the insurance and legal implications of the pandemic continue to be tested.

Inevitably, this has led to extensive litigation in several jurisdictions, with the UK and the USA being just two examples. Consequently, courts around the world are revisiting previously accepted approaches to concepts such as causation and aggregation as well as the proper construction of key policy terms. Clearly, the

courts' conclusions on these issues will vary from jurisdiction to jurisdiction, and this guide provides an invaluable overview to the approach adopted in key jurisdictions around the world.

A second major theme of 2022, and one which will continue into 2023, was climate change. The COP27 summit took place in Egypt in November 2022 and its importance for the insurance industry was highlighted by the fact that 2022 was one of the costliest years since 1970 in terms of natural catastrophe losses. Insured losses during the year are estimated at USD115 billion. These losses stem from a series of catastrophes ranging from hurricanes to winter storms, flooding and hailstorms (Swiss Re Sigma Preliminary Results December 2022).This estimate, which was provided before the December 2022 "cyclone bomb" in North America, reflects a continuing 5–6% annual average increase in natural catastrophe losses over the last decade and has only increased the already widespread concern that climate change will see a long-term increase in the number and severity of natural disasters.

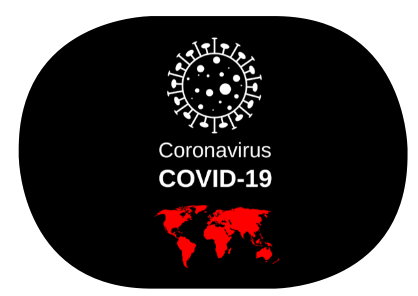
In addition, climate change is likely to challenge previous assumptions about the nature of the risk posed by natural disasters; for example, flooding may become more frequent and more widespread. From a legal perspective, these developments will raise issues of policy construction; for instance, in relation to aggregation clauses and the obligation on reinsurers to follow claims decisions of the underlying insurer. From a regulatory perspective, one may also see steps by governments around the world to compel insurers to provide cover for catastrophic risk. An example of this might be Flood Re in the UK.

The major geopolitical issue of 2022 has, of course, been the war in Ukraine. As well the horrendous human suffering caused by the war, the conflict has raised difficult issues for the insurance industry. One of the features of the Western response to Russia's aggression has been the imposition of sanctions on Russia and its allies as well as on individuals and organisations associated with Putin's regime. These sanctions, and the retaliatory sanctions imposed by Russia, create a difficult legal and regulatory environment for insurers which can only be enhanced by the different approach to sanction enforcement in different jurisdictions.

In addition to sanctions, the war has emphasised the role of war risk insurance and the scope of the cover which it provides. Indeed, such has been the pressure on this class of business that the main marine insurers are withdrawing war risk cover in the disputed areas. The hybrid nature of modern warfare, including as it does aspects such as cyber conflict and physical conflict, brings into question many definitions of "war" in insurance covers. Most cyber policies exclude coverage for war and related risk, but defining and proving "war" in the context of a cyber-attack often challenges existing legal definitions and it is important for insurers to know how different jurisdictions approach this and related issues.

Modernising the Global Insurance Industry

In 2022 the drive to modernise the world's insurance markets continued apace, and that trend will continue in 2023. The changes being introduced are in many



cases fundamental and bring with them a range of legal and regulatory challenges for insurers, brokers and regulators alike.

One aspect of the drive for modernisation is the continuing search by established insurers for new markets and territories in which to expand. The desire for expansion is being assisted by regulatory adjustments in some jurisdictions that are increasingly open to external investment, but it is also challenged by the growing assertiveness of insurers domiciled in emerging markets. It is imperative, therefore, that insurers, related professions and their advisers all understand the different legal and regulatory requirements for operating in different jurisdictions. This guide, written by experts from around the world, seeks to provide a practical overview of these requirements in the key international jurisdictions.

Insurtech

The growth of insurtech and the wider use of artificial intelligence presents both opportunities and challenges to insurers and brokers. Insurers are using insurtech to create more personalised and better-targeted insurance products through the development of sophisticated algorithms to analyse detailed source data and broader market data, to produce a highly specific risk profile and price. Similar initiatives are being developed to speed up the handling of claims while increasing insurers' ability to detect fraud and analyse the cost and benefit of claims disputes. At present, these advances are limited principally to personal lines insurance and SME business, but it is expected that they will be applied to larger commercial risks in the coming years.

The increasing use of insurtech, and AI more generally, brings with it significant legal and regulatory challenges, and the responses are likely to vary from jurisdiction to jurisdiction. For example, insurtech involves managing huge quantities of personal data, which is often of a sensitive nature. The coming into effect of the European Union's General Data Protection Regulation (GDPR) has created a new legal regime within which insurers have to manage this data, with the risk of incurring very significant financial penalties for non-compliance. Importantly, although this is an EU regulation, it applies to insurers anywhere in the world that hold information about EU citizens, so has potential ramifications for insurers and their advisers wherever they may be. Jurisdictions outside Europe, of course, have different approaches to data protection, which this guide seeks to highlight.

One of the key objectives of insurtech is to strengthen the connectivity between insurers and their clients. This is achieved through more personalised underwriting and the adoption of different distribution methods, including social media and internet apps. Many innovative, new products rely on source data gathered through wearable technology and the internet of things (IoT). These communications, and information from things like wearable technology, will be subject to a new EU regulation, the ePrivacy Regulation (ePR). As with the GDPR, the ePR will have a worldwide reach and bring with it the same significant penalties for breach as the GDPR.

All of these technological advances are challenging existing legal assumptions, which are often based on laws developed for an entirely different commercial world. How the laws of different jurisdictions adjust to these challenges is one of the issues this guide seeks to address.

Artificial intelligence

As well as the regulatory issues associated with the growth of insurtech, the adoption of AI technology by insurance buyers raises new legal challenges for insurers, including the question of where liability will lie if a piece of AI technology, dependent on machine learning, causes injury or breaks the law. Similar issues will arise in relation to the programming of autonomous ships and vehicles and the choices they may have to make when faced with the likelihood of collision. The answer to these questions is likely to differ between jurisdictions, so it will be important for insurers to understand local laws before accepting business that exposes them to risks of this nature.

Political Tensions

There is no sign of a resolution to the war in Ukraine and 2023 is likely to see continuing political instability and tensions between some of the world's leading economies. The insurance industry is not immune to the commercial and regulatory consequences of such conflict. These political tensions have also been expressed in actual or alleged cyber-attacks by one country or its proxy against another. Such attacks can lead to very significant insured losses, both in targeted countries and in other countries that experience "collateral damage".

The Brexit transition period was terminated on 1 January 2021 and no replacement for the previous passporting arrangements has yet been agreed between the United Kingdom and the remaining EU members. This is one of the many regulatory and legal uncertainties that will continue to hinder UK and European insurers through 2023. Until the post-Brexit regulatory framework has been agreed, bilateral arrangements between the UK and individual EU member states are likely to be of an ad hoc nature, and there will inevitably be uncertainty over the ability of UK insurers to write European business (and vice versa) and how that business may be written – for example, with respect to the regulation of underwriting agents.

Emergence of New Risks

At the same time, new risks are emerging, and concern continues about the potential for a "new asbestos" – be that legalised cannabis and medical marijuana, opioids or microplastics and nanotechnology. The legal context for the handling of insurance claims and coverage disputes in different jurisdictions will play a large part in determining the impact of any of these risks, if they do emerge.

Despite the uncertainty and risk development the industry faces over the coming years, there is no shortage of investment, with private equity houses continuing to show an interest. The industry saw continuing consolidation among insurers and brokers in 2022. In addition, money from outside the industry continues to be invested in new insurance vehicles such as insurance-linked securities (ILS), which are said to have "come of age" during the COVID-19 pandemic. Regulators in a number of jurisdictions are opening their markets to the underwriting of these products, but it remains to be seen whether they can be sufficiently flexible to wrest a meaningful share of the market from Bermuda.

Overall, 2023 is expected to see the continuation and speeding up of the modernisation process across the insurance industry together with a slower, but nonetheless significant, shift towards new markets and new ways of doing business. ■

• *10 Global compliance concerns for 2023*

Compliance professionals are balancing a unique set of obligations in 2023. The current geopolitical climate, environmental demands, economic concerns, and other conditions are shaping responsibilities for the year ahead for all compliance professionals.

While each country and region have their own concerns, many overlap in significant ways. The concerns discussed below are important to all compliance professionals, especially those in the United States, the United Kingdom, the European Union, and the Asia-Pacific region.

Further, regulators are now requiring that much more be done with the same — and in some cases less — compliance budgets. Even with competing obligations, it is important for organizations to consider the global impacts of their business dealings — that, more than anything else, is on the horizon for 2023.

The top 10 obligations below provide an insight into each of the concerns that will be critical for compliance officers to manager in 2023.

1. Environmental, social, and governance (ESG) issues

ESG is an important issue across the world and each nation has its own regulatory approach. The cost of doing business must include the cost complying with regulations in jurisdictions where business is conducted.

In the U.S., ESG initiatives are at a critical juncture as they enter 2023, with new rules and regulations emerging across federal and state jurisdictions. Whether policymakers, regulators, and ESG supporters can hold firm and proceed with an aggressive ESG agenda is now uncertain as a partisan divide has intensified in the United States. Several states moved to pull state-managed pension assets from funds that were adopting ESG initiatives while others have proposed legislation or brought lawsuits in opposition to ESG-related rules, regulations, or policies. Thomson Reuters' Special Report: ESG Under Strain also highlighted an uneven international regulatory landscape surrounding ESG.

Meanwhile, compliance with the International Sustainability Standards Board's work on climate-related disclosures and the Task Force on Climate-Related Financial Disclosures' (TCFD) recommendations is already well-advanced.

The E.U. has adopted a suite of regulations to address climate-related disclosures, including the adoption of the Sustainable Finance Disclosure Regulation, the Corporate Sustainability Reporting Directive, and Taxonomy regulation.

In the U.K., existing legislation such as the Companies Act has been amended to reflect the TCFD's disclosure requirements. And the Financial Conduct Authority (FCA), the U.K.'s main regulatory body, continues to oversee listed companies' compliance

with the TCFD recommendations and requires them to explain any non-compliance.

The Asia-Pacific region has outpaced the United States in terms of sustainable investing and is fast catching up with Europe. Asian regulators have implemented climate risk management policies, and in turn, they expect firms to have dedicated resources and risk management frameworks. Regulators are particularly determined to tackle greenwashing — misrepresenting the extent to which a financial product or investment strategy is environmentally friendly, sustainable, or ethical — following recent customer protection actions.
Around the world, regulators and standard-setting bodies will continue to work with the private sector this year to achieve transparency and consistency of ESG metrics, methodologies, and taxonomies to ensure both efficiency and market integrity.

2. Regulatory change and demands on compliance

In December, the U.S. Securities and Exchange Commission (SEC) proposed a four-part rules-package to set the stage for a significant structural overhaul of the way securities are traded. The new rules would amount to some of the biggest changes in U.S. equity market structure in nearly two decades. Such significant changes would directly affect compliance departments as policies, procedures, technology, and disclosures would need to be adapted.
The package consists of: Regulation Best Execution, Requirements to enhance order competition, Revisions to Regulation National Market System (NMS) and Updated disclosure requirements under Rule 605 of Regulation NMS.

Industry trade groups, such as the Securities Industry and Financial Markets Association have urged caution over the proposal, warning of possible "unintended consequences" to investors.

There have only been a handful of actions thus far directly citing Regulation Best Interest (BI), which went into effect in 2020. However, an enforcement case in 2022 involving the sale of high-risk bonds, and new attention to the rule by the brokerage industry self-regulator, the Financial Industry Regulatory Authority (FINRA), point to the growing importance of Reg BI. (FINRA included Reg BI in its annual exam priorities report, devoting an entire section to it.)

Indeed, Reg BI could become a "catch-all" violation in enforcement actions involving retail investor protection. Therefore, compliance departments should be mindful of its growing importance.

Compliance departments in the E.U. face a different, but equally complex set of obligations. Through the Edinburgh Reforms, the U.K. government has set out an ambitious set of measures to move the U.K. away from the E.U. rules. Most of the reforms are still under consultation, and many of those that have been released to date have targets during the first quarter of 2023. The platform for these changes is the Future Reg-

ulatory Framework review; and legislation, in the form of the Financial Services and Markets Bill, is nearing completion through Parliament.

The European Supervisory Authorities (ESAs) — three regulatory agencies established by the E.U. to help facilitate the development and convergence of financial services regulation and supervision across the region — meanwhile, have all issued their work priorities for 2023, including a continued focus on financial stability and the implementation of the Basel III reforms, as well as continuing work to review the regulations on packaged retail investment and insurance products (PRIIPs), further guidance on the implementation of cross-sectional areas of the Securitization Regulation and other areas such as ESG, operational resilience, and the ongoing impact of Brexit.

3. Global political tensions and sanctions

Russia's invasion of Ukraine sparked an unprecedented round of sanctions which caused anti-money laundering (AML) and know you customer (KYC) compliance professionals and sanctions departments to go into overdrive to comply. Even non- financial services firms were affected in unanticipated ways, and the importance of ultimate beneficial ownership has become a global legal and regulatory challenge.

With the war still raging and escalated tensions between China and Taiwan also a concern, geopolitical uncertainties will keep compliance and legal professionals on edge regarding sanctions compliance.

Despite advances in legal, regulatory, and sanctions compliance processes, the sheer amount of work involved remains burdensome for many firms, which every day must record their time spent reviewing accounts, companies, and individuals in relation to suspect transactions connected to Russian businesses, individuals, or organizations. There could also be potential reputational repercussions for those firms which get sanctions compliance wrong.

Compliance teams also need to prepare for the possibility of a polarizing split within the international financial system over the continued implementation of sanctions and doing business with Russia.

4. Anti-money laundering and financial crimes

Compliance officers will need to keep financial crime on their radars during 2023, and that can cover a wide range of areas. For example, the regulatory focus on anti- money laundering (AML) resulted in total fines during 2020 and 2021 of around £476 million in the U.K. alone, including penalties imposed against such high-profile financial service firms as NatWest, HSBC, and

Credit Suisse. Further, there have been enforcement actions for market abuse during 2022, and fraud is predicted to increase in 2023.

The U.K. Economic Crime Bill, which is progressing through Parliament, seeks to deliver reforms to make it easier to act where economic crime is perpetrated. And the German regulator, BaFin, ordered Deutsche Bank to take specific measures aimed at preventing money laundering and terrorist financing; while in the U.S., the long- running fraud scandal at Danske Bank resulted in the bank pleading guilty to fraud conspiracy and agreeing to forfeit $2 billion.

5. Proliferation financing

Similarly, financial services firms

may also find themselves having to address the risk of proliferation financing, which occurs when an entity makes available an asset, provides a financial service, or conducts a financial transaction to facilitate the proliferation of weapons of mass destruction, regardless of whether the activity occurs or is simply attempted.

Other significant threats in this area include the use of third-country nationals to facilitate proliferation financing and evade sanctions through trusts, and shell companies using alternate directors or false identification to circumvent sanctions or restrictions.

This is especially significant for compliance teams now because the conflict in Ukraine has intensified pressure on sanctions compliance and increased the enforcement risk over lapses or sanctions evasion.

6. Digital assets & cryptocurrency

It's not surprising that the hot-button issues of digital assets and cryptocurrency are something to which compliance officers will have to pay special attention in the coming year.
E.U. policymakers agreed on the text of the Markets in Crypto-Assets (MiCA) regulation in mid-2022, and once passed, the regulation will provide a comprehensive set of measures to protect consumers by ensuring the safety and soundness of crypto services. MiCA is due for passage through Parliament in early 2023, and its provisions will come into effect across mid-to-late 2024. MiCA's comprehensiveness means that it will become the blueprint for crypto-regulation in other jurisdictions during 2023, as regulators everywhere work to prevent more chaos, such as the collapse of the FTX crypto exchange.

In 2023, the U.S. faces a race to catch up with its international counterparts in regulating digital assets. The urgency comes on the heels of the tumultuous 2022, in which the digital asset sector lost more than $2 trillion in market value, sinking below $1 trillion. In addition to asset-price de-

clines, the implosions of crypto firms such as FTX, Celsius Network, and Terra Luna and allegations of fraud have fueled public and political pressure on U.S. regulators and policymakers to act.

Regulatory priorities are likely to be focused on ensuring financial stability, consumer protection, and combating fraud and illicit activity. The activities regulators and lawmakers are likely to target include stablecoins — asset-backed cryptocurrencies — and centralized exchanges.

In 2022, Thomson Reuters Regulatory Intelligence published a Special Report: Cryptos on the rise, covering the emerging market's complex global regulatory future. Amid the industry turmoil and headline-grabbing criminal investigations, compliance and legal professionals must stay abreast of the regulatory developments while exercising caution before wading into the uncertain waters of digital assets.

Another indirect result of the FTX collapse is the closer regulatory scrutiny of private equity (PE) firms, including their due diligence procedures and valuation practices. The SEC is said to be seeking details about the due diligence performed by PE firms and their investments in FTX.

In Asia, the Singapore government's attitude toward digital assets and blockchain technology, for example, has remained largely unchanged. "We encourage and support innovation in digital assets because we see potential for new technologies to transform cross-border payments, trade and settlement, as well as capital market activities," said Lawrence Wong, deputy prime minister and minister for finance.

Central bank digital currencies (CBDCs) are being researched by governments around the world and, if rolled out, could revolutionize the financial system and even replace physical cash. No advanced economy has yet committed to issuing a general-purpose CBDC, but Australia, China, Hong Kong, and Singapore have carried out extensive research, and the Monetary Authority of Singapore introduced a pilot scheme in 2022.

7. Increased focus on accounting

Private equity issues, particularly the recent suspension of redemptions with the $69 billion unlisted Blackstone Real Estate Investment Trust, raise questions surrounding valuations of the underlying assets held in PE funds. If liquidity is problematic, the logical next question is often related to whether the assets are properly valued. If valuations are incorrect, the problems cascade pertaining to issues such as fees charged to investors.

Accounting practices such as the use of independent external auditors — also a central theme in the crypto failures, and an ongoing battle related to accounting by Chinese companies listed in the United States — have raised the importance of accounting and auditors with regulators.

In the U.S., the Public Company Accounting Oversight Board (PCAOB) and its chair, Erica Williams, are poised to take a more

prominent role and step-up enforcement activities. Williams has been bringing cases citing previously unused provisions, including violations that resulted from negligent conduct such as failure to supervise — and some penalties have been steep.

These actions came amid criticism that PCAOB had been too lenient towards auditors and needed to pay more attention to its stated mission of protecting investors, something Williams disputes. “The PCAOB is serious when it comes to enforcement,” Williams said in December.

In 2023 senior management, compliance professionals, and legal departments should raise the overall importance of accounting-related compliance.

8. Data governance & protection

Data governance is relevant for compliance officers on several levels. At the jurisdiction level, for example, many countries have data strategies in place — both the European Commission and the U.K. government have published high-level visions that outline how a data framework would work.

Regulators also are keen to explore ways to maximize the use of regulatory data. The U.K.’s FCA provided a progress report on its data strategy in 2022, including actions to be undertaken from 2023 and beyond. And the work program for the European Banking Authority (EBA) for 2023 prioritizes measures to “enable the EBA to share data and insights with internal stakeholders and the whole data ecosystem.” Finally, the European Securities and Markets Authority has included “facilitating technological innovation and effective use of data” as one of its strategic priorities for the next five years.

Data governance also has relevance at firm level, because firms must embed a framework which encompasses all aspects of data governance, from creation to destruction of corporate, governance, and customer data. The greater emphasis upon which regulators are placing the amount and quality of data to be reported places pressure on firms to be able to deliver that data. This is an area where firms often have proven to be weak. In one recent example, Sigma Broking Ltd was fined £500,000 for market abuse and transaction-reporting failures.

On a related front, the war in Ukraine has seen a growth in cyber-warfare and the attendant risks. In a trend which has been described as “profound and new”, criminal gangs and hostile nation states are working together to destroy or compromise commercial interests. They aim to exploit critical infrastructure vulnerabilities, scanning technology networks with “unpatched systems” to identify weakness within large corporations and potentially cripple them.

The cyber-attacks have set off destructive malware which not only resulted in significant damage in Ukraine itself but also caused widespread damage to international networks. Australia, for example, has experienced a marked

increase in ransomware attacks as both telecommunications firm Optus and health insurer Medibank Private were both targeted by attackers who stole the sensitive information of millions of individuals and then attempted to blackmail the firms in return for not releasing the stolen data onto the internet. Medibank Private refused to pay the ransom to a suspected Russian organized crime syndicate, while many experts disagree on whether ransoms should be paid in such circumstances.

Such attacks look set to proliferate in 2023. Senior managers at both Optus and Medicare Private thought they had sufficiently strong cyber-resilience systems in place at the time of the attacks, but they were proved wrong. Firms would be well-advised to improve their data management governance in the year to come.

9. Technology, cybersecurity and artificial intelligence (AI)

Digitalization and the use of technology has spread widely in recent years, and the fintech and regtech sectors have grown dramatically. Thomson Reuters Regulatory Intelligence's Fintech, Regtech and the Role of Compliance in 2023 survey reported signs of a slowdown in the growth of the fintech sector, finding that while international growth in the first half of 2022 had plateaued, the U.K. fintech marketplace had continued to grow.

Fintech applications have continued to be used in diverse ways, from payment systems to know-your-customer verification, to robo-advice and claims handling. Technology is also used to facilitate the hybrid working arrangements which proliferated during the pandemic — for example, the use of fintech applications to monitor communications.

In its annual risk report, the EBA highlighted an increase in the use of artificial intelligence (AI) solutions. Eighty-three percent of respondents to the EBA's survey reported that they already use AI, and an additional 12% are either pilot-testing or developing AI systems.

Financial services firms' ability to deploy and maintain these applications is being tested, and they are increasingly relying on third-party providers that have the expert knowledge and technical resources to be able to manage such systems. The likelihood that Big Tech will begin to play more of a part in financial services also presents risks, however. The Bank for International Settlements explored this topic in a paper, Big Tech regulation: In search of a new framework.

Compliance officers may therefore need to shift their focus in 2023 from managing internal digital deployment to managing the risks associated with outsourcing such development to third-party service providers.

Indeed, regulators have already begun to address these concerns. The Prudential Regulation Authority (PRA) issued a supervisory statement in March 2021 setting out its expectations for how PRA-regulated firms should comply with regulatory requirements related to outsourcing and

third-party risk management to improve business resilience. This was followed up in the middle of last year by a joint-discussion paper from the PRA, the FCA, and the Bank of England on how to deal with third parties critical to the U.K. financial sector.

In the E.U., the ESA responded to the European Commission's February 2021 call for advice on digital finance and related issues by making recommendations concerning third parties.

10. Human capital

As compliance officers' responsibilities expand, so too does the range of expertise and knowledge they need to optimize their skill sets. The availability of relevant skills, or the lack thereof, has featured heavily in Regulatory Intelligence's Cost of Compliance surveys in the last few years. For example, of the 66% of respondents to the 2022 survey who said they expected the cost of senior compliance staff to increase, nearly half (47%) cited the demand for skilled staff and knowledge as the top reason. This correlates to increasing demand for compliance expertise in areas such as ESG, digitalization and technology, as well as other niche areas.

Following the pandemic, the job market for compliance professionals improved in 2021, particularly for such disciplines such as AML and fintech. More recently, however, there have been indications that demand for more senior compliance roles has waned, with a greater need to fill junior or mid-level roles.

While this appears to reflect firms' reaction to the economic situation, many compliance departments nevertheless continue to lack the required level of expertise needed.

Overall, this year also will undoubtedly see the need for compliance officers to have at least one eye on the regulatory perimeter — along with many of the other areas discussed above. With regulators working on new areas such as non-bank financial intermediation, buy now/pay later products, and crypto-assets, it will be essential for compliance officers to remain vigilant about developments that expand the jurisdiction of financial regulators and require more of their compliance time. ■

Reinsurers to attract fresh capital after Jan. 1 wins

by Ben Dyson

S&P Global
Ratings

While insurers may have winced at the spike in property-catastrophe prices at the Jan. 1 renewals, the resulting rate hikes and new policy terms should spur investor interest in the reinsurance space.

Predictions that the new prices and terms secured at Jan. 1 should boost reinsurers' returns will catch investors' attention, according to Mike Van Slooten, head of business intelligence at Aon PLC's reinsurance solutions division. "I would expect to see some additional inflows of capital in the first few months of 2023," Van Slooten told S&P Global Market Intelligence.

Growing appeal

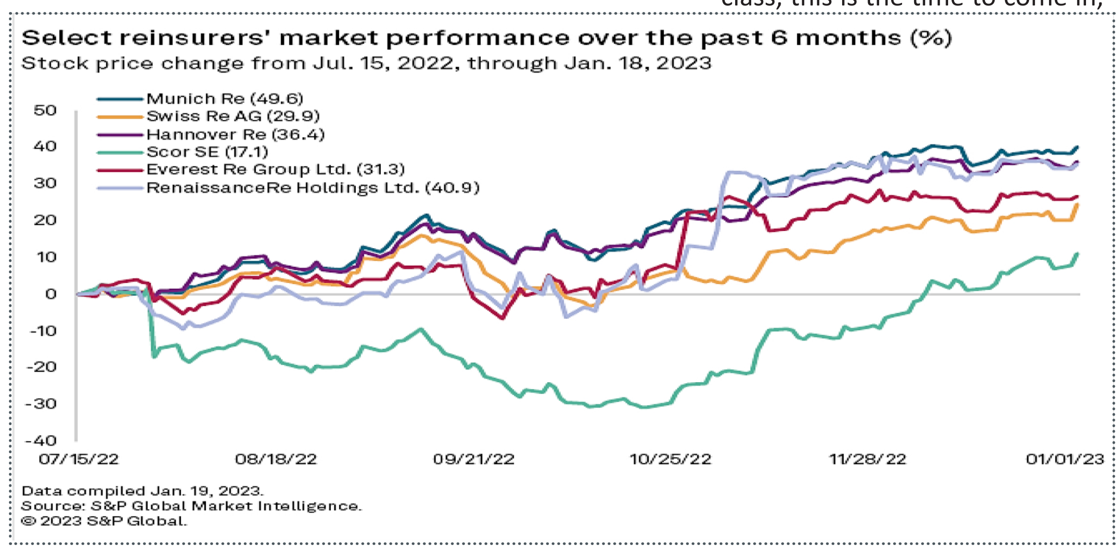
Global property-catastrophe prices increased by 37% at Jan. 1, compared with 9% the previous year, according to figures from Howden Broking Group Ltd., as heavy catastrophe losses — not least Hurricane Ian — inflation and continuing geopolitical uncertainty steeled reinsurers' resolve to hike rates. Just as importantly, reinsurers secured changes to terms, conditions and contract structures that shifted more risk back to insurers.

There were also sharp price rises in certain specialty lines. For aerospace catastrophe programs where there had been claims, prices went up by between 150% and 200%, according to the renewal report from Arthur J. Gallagher & Co.'s reinsurance arm. In this new environment, Fitch Ratings expects underwriting margins at the reinsurers it rates to improve by four percentage points in 2023.

Investors have already been giving their support to reinsurers by buying their shares in the run-up to the renewals, according to Van Slooten, who noted that the last two months of 2022 were "very strong" for most listed reinsurers' share prices. "You don't see a sharp increase in share prices unless you've got new money moving in to support these companies," he said.

The share prices of six select listed reinsurers have all shown double-digit percentage increases over the past six months, according to S&P Global Market Intelligence data. Germany-based Munich Re, the world's largest reinsurer, led the pack with an increase of almost 50%.

"If you're interested in participating in insurance risk as an asset class, this is the time to come in,"



David Priebe, chairman of reinsurance broker Guy Carpenter & Co. LLC, said in an interview. He added that the current market conditions will be sustainable "for a decent period."

Interest rate effects

While the current hard market in property-catastrophe, unlike in some previous cases, is not down to a lack of capital, reinsurers would welcome fresh money. Rising interest rates in 2022 cut the value of reinsurers' bond-heavy investment portfolios, leading to unrealized losses and depleting shareholders' equity. Although reinsurers may never realize these losses, as they typically hold bonds until maturity, they could if they are forced to sell the bonds before maturity to pay for a series of large claims. Howden's report said the industry's ratio of capital to premium was below 100% in 2022, a level last seen during the global financial crisis.

"That's the other reason why I think that there's every reason for capital to flow in. The sector needs the capital on the credit side and the sector can reward the capital on the equity side," said David Flandro, head of analytics at Howden Broking Group.

Rising interest rates also mean investors now have a wider array of attractive investment opportunities, which could leave less space for reinsurance. Because rates have risen so sharply, however, there is the potential for reinsurers' forward returns on equity to rise, making reinsurance "more competitive with other capital market instruments like high-yield bonds or even equities," Flandro said.

Wait and see

Despite these favorable tailwinds, some investors will want harder evidence to commit funds to reinsurance. Noting that talk of better returns will lure some investors in the early part of 2023, Van Slooten said, "There are a lot more investors out there who will probably wait for the improvement to actually be reflected in reported results."

Insurance risk adds diversity to investors' portfolios; this is because it is largely not correlated to other asset classes, so keeping it there continues to make sense even in the face of a greater array of attractive investments, according to Priebe. But markets remain volatile and uncertain, and rising interest rates have caused large unrealized losses on bond portfolios. "There's not a lot of free money floating around out there for people to redeploy into insurance risk," Priebe said. "I'm optimistic that we'll start seeing positive inflows. But it may be slow still in coming." ■

Source: S&P Global – 23 January 2023

Largest global reinsurers in 2021

Company	Country	Net reinsurance premiums written ($M)		Combined ratio (%)		Total adjusted shareholders' funds ($M)	
		2021	2020	2021	2020	2021	2020
Munich Reinsurance Co.[1]	Germany	44,598.7	42,937.0	99.7	105.7	52,958.3	42,286.0
Swiss Reinsurance Co.[2]	Switzerland	43,220.0	39,827.0	92.4	110.6	23,568.0	27,135.0
Hannover RE	Germany	28,267.7	27,318.6	98.0	101.9	13,885.8	14,090.2
Berkshire Hathaway Insurance Group	U.S.	20,579.0	19,761.0	104.3	N.A.	301,000.0	237,000.0
SCOR SE	France	16,308.6	17,713.0	100.6	100.2	7,261.0	7,477.6
China Reinsurance (Group) Corp.	China	16,226.0	15,446.8	95.1	101.8	16,148.8	15,765.4
Lloyd's of London[3]	U.K.	14,319.7	12,296.1	95.2	107.6	48,432.5	45,315.6
Reinsurance Group of America Inc.	U.S.	12,513.0	11,694.0	N.A.	N.A.	13,014.0	14,352.0
Everest Re Group Ltd.	Bermuda	11,445.5	9,117.0	97.8	102.9	9,450.9	8,915.3
PartnerRe Ltd.	Bermuda	7,134.0	6,301.0	90.5	106.0	7,544.0	7,327.0

Data compiled Jan. 19, 2023.
N.A. = not available.
[1] Total adjusted shareholders' funds for the group includes ERGO.
[2] Figures represent the group as a whole including primary business.
[3] Adjusted shareholders' funds are members' funds for the market as a whole.
Based on S&P Global Rating's 2022 Global Reinsurance Highlights report. Data has been gathered through survey responses sought by S&P Global Ratings on 157 reinsurance organizations from 32 countries.
Premium data relates to a company's reinsurance premiums written but, in some cases, other metrics will include both primary and reinsurance business.
The combined ratio is calculated by taking the percentage of the sum of net losses incurred and net underwriting expenses by net premiums earned. The combined ratio of any entity that writes both non-life and life reinsurance business, the combined ratio reflects non-life business only.
For companies that report in currencies other than the U.S. dollar, net reinsurance premiums written and total adjusted shareholders' funds are converted to U.S. dollars at year-end exchange rates.
Sources: S&P Global Ratings; S&P Global Market Intelligence.
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• *Firms take stock after one year of Russian sanctions*

There are many lessons to be learned from the rollout of the sanctions and ensuing compliance efforts

StrategicRISK

On February 24, 2022, Russia invaded Ukraine. The global condemnation of the invasion has included an unprecedented number of sanctions against Russia that began being issued almost immediately and has continued as the war goes on. The number of sanctions issued against Russia (more than triple those issued against Iran, the country with the next-highest number) and the speed at which the sanctions were issued in the days following the invasion are unmatched.

There are many lessons to be learned from the rollout of the sanctions and ensuing compliance efforts. Global coordination works in principle, but not in practice, points out Protiviti.
”As unified as the Western countries and their allies have been on the need to sanction Russia and who and what should be targeted by the sanctions, the rollout of the sanctions quickly disclosed not just subtle nuances but also significant differences in how the sanctions were propagated,” it notes in a commentary.

”Some of these differences were administrative, but others were structural (eg, one country sanctioned a named entity only, but another sanctioned a named entity and all its subsidiaries). ”These variations resulted in massive compliance challenges for global financial institutions that were required to reconcile national differences.”

Reputational risks

Lack of enforcement may also undermine the effectiveness of a national sanctions regime. “However, in the case of the Russian sanctions, where reputation management has been as important as technical compliance, the issue may be less about whether financial institutions would do the right thing than whether jurisdictions had the power and political will to go after offenders,” adds Protiviti.

Other lessons learned relate to the operations of individual institutions' sanctions programmes:
Some risk assessments are underdeveloped. Some institutions were clearly better prepared than others to know where to look for customers and transactions exposed to the risks of Russian sanctions. Those institutions had a clear advantage over institutions that had failed to consider contagion risk in their risk assessment processes.
Tuning a sanction screening system is not just something done to satisfy the regulators. Financial institutions that decided dealing with the noise of a poorly tuned sanction screening was easier than developing and maintaining an ongoing tuning programme likely added significantly to their compliance burden.
Not all sanction screening vendors are equally dependable. Some financial institutions learned at the most inopportune time that the vendors they relied on to update sanctions lists were not prepared to deal with the pace of change witnessed with the Russian sanctions.

Insurance disputes test sanctions clauses

As a result of the disparity in compliance efforts and enforcement challenges, a number of insurance disputes have arisen from the Russia-related sanctions, according to Clyde & Co.

"We anticipate the numbers rising further, with sanctions clauses likely being increasingly tested both in the UK and other jurisdictions," commented Christopher Hill, partner at Clyde & Co.

"Certain classes of business (such as those with an aviation touchpoint) have already seen large claims made by insureds, some of which are currently the subject of disputes in the UK courts. We anticipate that this trend will extend to a number of further classes of Russia-related business.

"As the year progresses, we will likely see further restrictions imposed by the UK and the EU in response to the ongoing conflict in Ukraine. Indeed, the EU imminently intends to designate more entities and individuals involved in spreading misinformation and to extend export restrictions on further categories of goods. "In addition, looking ahead, we anticipate that there will be an increasing focus from UK and EU authorities towards enforcement to further deter non-compliance.

The last 12 months have seen an unprecedented wave of sanctions imposed against Russia. This has created disruption for insurers with respect of their Russia related business. "Moving from a period of intense introduction and implementation of sanctions to a more business as usual trading environment comes with its own challenges however, which will no doubt keep sanctions compliance at the forefront of insurers' minds." ■

Source: Strategic Risk - 28 February 202

• *Insurers unable to tally up true cost of Ukraine war*

The insurance industry is struggling to gauge the cost of Russia's war with Ukraine a year after the conflict began.

By Ben Dyson

Exposures far removed from the war itself have been unearthed, while insurers are unable to count the cost of claims across their political risk, marine and aviation business lines. Those covered by the political violence market, such as physical damage to buildings, are also proving difficult to quantify. "It becomes challenging for a claim to be resolved when the market's clients are unable to access their asset and insurers are unable to send in a loss adjuster safely to ascertain the damage," Crispin Hodges, head of trade political risk at Lloyd's insurer Canopius Group Ltd., said in an interview.

Lancashire Holdings Ltd. increased its provision for potential losses to $65.8 million in the fourth quarter of 2022 to account for indirect claims across a number of classes, after setting

aside $22 million for direct claims in the first quarter. Swiss Re AG increased its Ukraine war reserve across its property and casualty reinsurance and large global commercial insurance businesses to $334 million in the fourth quarter, from $283 million in the first quarter.

Riot risk

The resulting increase in oil and food costs is making it challenging for developing economies to keep their countries running and their people fed, bringing the threat of civil unrest and riots, which would hit the political violence and political risk markets, according to Hodges.

"You're generally going to see a lot of tightening of underwriting as well as more disciplined analysis and more stock put in the merit to the individual insured," Hodges said.

Global political risk programs offered to countries with benign loss records at "shockingly cheap" rates have also been shown to be uneconomical, Hodges added. "It's quite hard to see how one is going to make money out of those when an event such as Ukraine could well cause a loss that is 20, 30, 40 years' worth of premium," he said.

Trouble at sea

Marine war reinsurance cover for the affected area has essentially disappeared, meaning insurers are saddled with all of the risk they underwrite. "Whatever they do is net and therefore, they'll be monitoring the aggregations even more stringently than they were before," said Neil Roberts, head of marine and aviation at the Lloyd's Market Association, a trade body for Lloyd's of London underwriters.

Underwriters in the aviation insurance market face billions of dollars of claims from aircraft lessors whose planes are stranded in Russia. Legal battles between lessors and insurers are playing out in courts around the world and will take several years to resolve. It has been an eye-opener for underwriters, Roberts said. "What would be a relatively small part of a commercial underwriting book suddenly has a potential for a very disproportionate loss as against the property side or the marine side of your book."

No quick fix

There are some claims that will crystallize relatively quickly. At the one-year mark, vessels can be declared a constructive total loss under standard wording in marine war policies, so the one-year anniversary of the war will trigger claims for the ships stranded in Ukrainian ports. There is unlikely to be much scope for dispute here, according to Jonathan Bruce, deputy head of the global insurance and reinsurance group at law firm HFW. "In this case, it's fairly clear because you've got an order closing all of the ports in Ukraine," he said.

For the most part, however, the effects of the war will be felt for some time. Many policies in the political risk, trade credit and political violence market have a duration of longer than 12 months. "There will still be quite a long event horizon before people see exposures dramatically reduce, unless they had made a conscious decision not to write [in Russia and Ukraine] some time in advance," Canopius' Hodges said
. ■

Source: S&P Global - 22 February 2023

• *How much will insurers end up paying for ships trapped in Ukraine ports?*

An ongoing question among shipping insurance insiders has been how much will insurers end up having to pay as a result of the ships caught in Ukrainian ports being declared constructive total losses.

Most insurance contracts for hull have a proviso that if a ship ceases to be available to its owner – in a situation such as this – then after a set time period (usually 12 months) the owner can declare it a CTL and claim the value of the vessel from its insurers.

The latest estimate has been a potential half a billion dollars in claims for up to 60 commercial ships that are still stuck in Ukraine, a year after the start of the war with Russia.

When the conflict started there were more than 90 merchant ships and about 2,000 crew unable to leave due to the outbreak of fighting.

Estimates as to the number of ships still caught up in the conflict have ranged from 40 to 60.

The largest port, Odesa, is part of the deal enabling grain to leave three Ukrainian ports. It has prioritised the exit of dry bulk ships, but an estimated five vessels, including the Joseph Schulte container ship, remain stuck there.

Germany's BSM, which manages the Joseph Schulte, has been trying to get the vessel out of Odesa for a year so far without success, a group spokesperson told Reuters.

Other Ukrainian ports that are not part of the Black Sea Corridor deal include no. 2 grains terminal Mykolaiv, where industry estimates were that more than 25 ships were still stuck.

More than 300 seafarers remained stranded on the ships. An open letter from shipping associations last week called on the UN to evacuate them.

Kitack Lim, Secretary-General of U.N. shipping agency the International Maritime Organization, said on Friday February 24th that he was pursuing "all avenues ... to allow for the safe departure of the stranded vessels and seafarers".

Marcus Baker, global head of marine and cargo with risk advisory and insurance broker Marsh, said that "one of the difficulties emerging is if an underwriter pays a constructive total loss and then takes ownership of the ship in Ukraine, which is the last thing they want to do". Baker continued: "It will be interesting to see how the market settles these claims. There is going to be some form of constructive agreement I suspect, but then that owner will have to buy war risk insurance all over again. If the ship is stuck there for another 12 months, will they get paid twice? No one has come across this situation in this level of detail before." ■

Source: Insurance Marine News - 27 February 2023

• *Ukraine will establish $500m insurance fund for ships entering ports*

Ukraine is to set up a $500m insurance fund that can be tapped to compensate non-military vessels that suffer damage when entering its ports, Deputy Prime Minister Oleksandr Kubrakov said on Friday February 24th.

Ukraine negotiated a temporary deal last July that allows it to export food products from three Black Sea ports. Kubrakov said on Twitter that Ukraine's parliament had approved a law to set up the insurance fund. "We're working on resuming delivery & expanding the range of products. I invite countries of the civilized world & interested businesses to cooperate," Kubrakov said. ■

Source: Insurance Marine News - 27 February 2023

• *AXA reduces aviation war cover after Ukraine losses, sources say*

By Noor Zainab Hussain, Jonathan Saul and Carolyn Cohn

The commercial arm of French insurer AXA (AXAF.PA) is reducing cover offered to aviation companies as it seeks to protect the multibillion-euro business after heavy Ukraine-related losses, two underwriting and broking sources told Reuters.

One of the top 10 players in global aviation insurance, AXA XL is pulling back from underwriting risk on so-called war cover, the sources said, reducing options for airline operators or lessors seeking protection against loss or damage arising from war. The retreat by a major player such as AXA XL will make it more difficult to find this specialist cover, potentially driving up premiums and increasing costs for exporters and travellers.

The company has also begun to scale back some of its exposure on marine war cover, three other industry sources said.

AXA XL declined to comment.
The AXA XL retreat comes as the war in Ukraine nears its first anniversary on Feb. 24 and follows months of massive losses for many of the world's largest insurers.

The conflict, which Russia calls a special military operation, is likely to result in insured losses between $10 billion and $20 billion globally, a report by broker Howden said last month.

Aviation war cover is one of the classes of business most exposed to "the sizeable losses that have and will transpire", the report said.

AXA XL competes with other commercial insurers operating at Lloyd's of London and in the wider London commercial insurance market and with U.S. and Bermuda-based underwriters.

The business accounted for 20% of AXA's group revenue of 55.1 billion euros ($59.55 billion) in the first half of 2022, but only 14% of net income of 4.1 billion.

The insurer said in its earnings statement that the war led to a 1.1 percentage point increase to the current year's loss ratio in property and casualty underlying earnings, mainly in aviation.

Insurers expect more losses as aviation leasing companies have resorted to the courts to seek insurance payments, with about $10 billion tied up in more than 400 jets stranded in Russia.

Reinsurers, which insure the insurers, are feeling the pinch, too. They have declined to provide cover for Russia, Belarus and Ukraine from Jan. 1, brokers say.

Insurers are also replicating reinsurers' exclusion clauses, meaning that Chinese or Middle Eastern airlines flying to Russia will not be insured if they are shot down, one of the sources said. Western airlines cannot obtain insurance for Russia because of sanctions.

The moves have also hit the marine market, another that is heavily exposed to the war in Ukraine. ■
($1 = 0.9252 euros)

Source: Reuters - 19 January 2023

• *Over a third of UK SMEs cancelling BI cover in 2022 cited disputes business interruption claims*

Insurers facing business interruption claim lawsuits could lose business due to hampered reputations, according to GlobalData.

It follows news that insurers, including Aviva and Liberty Mutual, are being pursued over failing to settle COVID-19 related business interruption (BI) claims.

"Business interruption cover is a complex policy, with a crisis such as a coronavirus pandemic highlighting the ambiguity in policy wording that has driven the surge in court cases," says Benjamin Hatton, associate insurance analyst at GlobalData.

"New BI cases continue to filter their way into the courts and as these cases continue, it is likely that policyholder trust in their provider, perhaps even in the wider industry, has diminished with many SMEs looking to switch provider or cancel altogether.

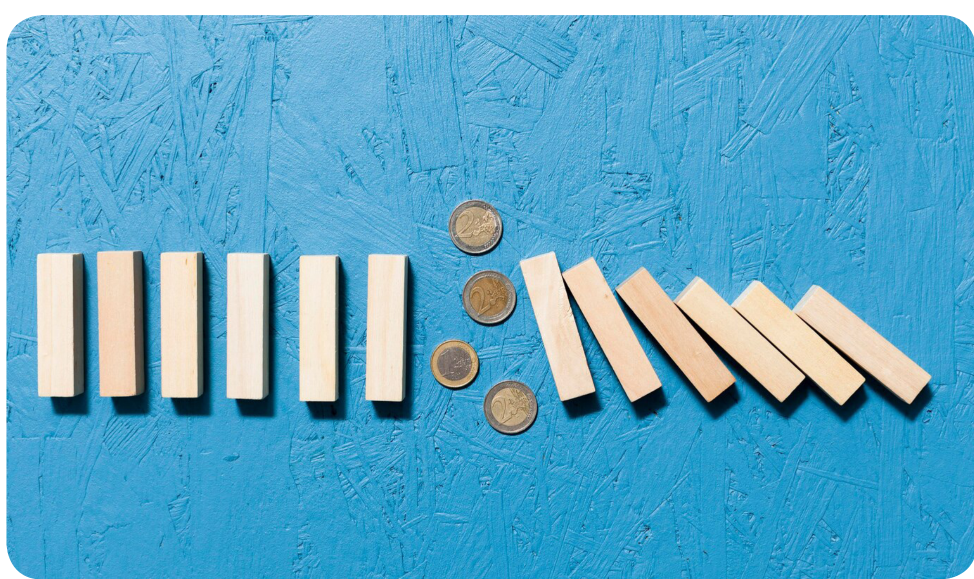
"In fact, 36.8% of SMEs that cancelled their BI cover in 2022 did so as they did not receive the level of cover they had thought they would get."

Reasons for switching provider
When asked why SMEs chose to switch provider for BI cover, the new provider's pricing consideration, level of cover, and reputation could not be separated as the top reasons for switching.

GlobalData's 2022 UK SME Insurance Survey found that reputation was important to just 8.8% of SMEs switching public liability provider and 8.5% of commercial property switchers. Almost a third of SMEs switching in these two lines cited pricing as the main reason for changing insurer (32.1% and 33.1%, respectively).

"Insurers looking to grow business in the BI line must ensure greater clarity in policy wordings if they want to maintain a reliable reputation and stem the tide of cases filed against them," continues Hatton.
"The continuation of court cases involving BI payouts will blight new business opportunities for insurers caught up in the ongoing legal battles. It is likely that many policyholders are now reconsidering their provider and looking to purchase a policy from those deemed less likely to take matters through legal proceedings."■

Source: Strategic Risk - 1 March 2023



• *Pool Re terrorism reinsurance scheme could be extended to cover cyberattacks*

The fund which can be used to bail out insurers faced with big terrorism-related bills could be extended.

By Claudia Glover

State-sponsored and war-related cyberattacks could be included in the UK's terrorism reinsurance scheme to guarantee victims receive payments. Such incidents are often not covered by standard cyber insurance policies, leaving victims out out pocket.

The Treasury is being lobbied to provide support to insurance companies covering cyberattacks (pic: William Barton/Shutterstock)

Insurance industry leaders have reportedly kicked off talks with the Treasury to discuss whether government-backed terrorism emergency fund Pool Re might be tweaked to cover these two types of cyberattack. The Treasury has yet to take a position on the matter, according to the FT, which first reported the talks.

Pool Re, or Pool Reinsurance was founded in 1993 by the UK insurance industry in cooperation with the government, in the wake of the IRA bombing of the Baltic Exchange in 1992. Its members comprise most insurers in the UK. Membership provides a guarantee that the insurance policy for an act of terrorism can be covered regardless of how high the policy may be, thanks to the government's backing.

Pool Re could cover state-sponsored cyber crime

The insurance industry is struggling to adapt to the growing threat posed to businesses by cybercrime. A rapid increase in the number of incidents has led to growing demand for cyber insurance, but many insurers are not keen to provide policies that could leave them facing a hefty bill.

As such, premiums are on the rise. Research from security company Panaseer shows that 82% of insurers believe that prices will continue to rise for the next two years. "Increasingly sophisticated threat actors and costly ransomware attacks are having the biggest impact on rising premiums," the report says.

Industry body the Lloyd's Market Association (LMA) sought to mitigate part of this risk through the drafting of four clauses designed to protect insurance companies from excessive liability. When implemented they exclude coverage of any damage caused by "war or a cyber operation that is carried out in the course of war," including "retaliatory cyber operations between any specified states," reads one of the clauses. It goes on to list the countries China, Japan, Russia, France, Germany, America and the UK.

As the cost of breaches mounts, companies are questioning why they aren't entitled to compensation, but without some sort of government backing from Pool Re or another, the cyber insurance market will not have the means to cover the cost. "They don't have enough money for everyone. The amount of money necessary to cover the potential clients is too great," said Andrea Rebora, cybersecurity associate at PwC and a PhD candidate at Kings College London, told Tech Monitor last year. "It's an absurd amount of money."

If there is a large scale cyber event that effects numerous companies, it may therefore be up to the government to foot the bill, argued Lori Bailey, chief insurance officer at Corvus Insurance: "If there is some sort of large-scale cyber event, could the private sector and the insurance industry withstand that? Ultimately I think it would take something from the public sector in order to manage any kind of large-scale catastrophe," she said. ■

Source: Tech Monitor - 20 Jan 2023

• *Global Project Pipeline*

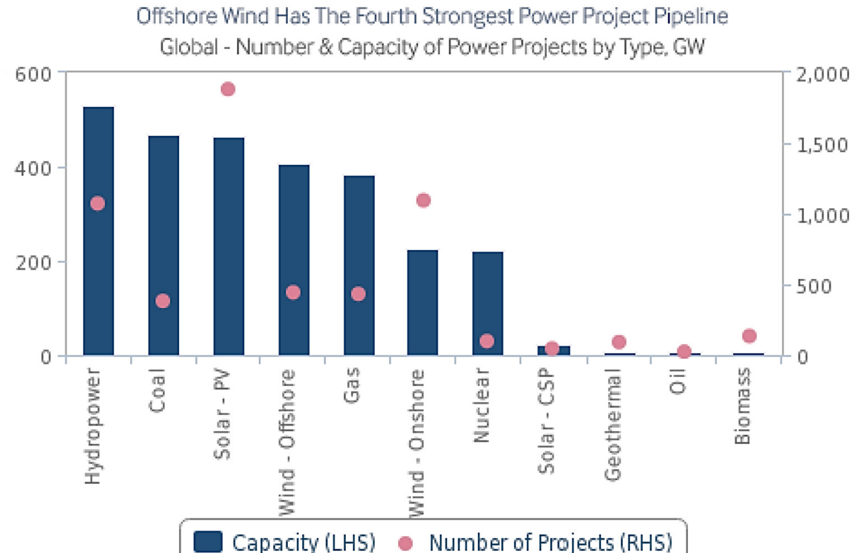
Offshore Wind Power: NAWE Leads Project Pipeline Amid Limited Realisation Of Global Pipeline

Key View

- The global offshore wind power project pipeline is strong, with a total capacity of about 409GW across 444 projects in the construction and pre-construction phases.
- The North America and Western Europe region is leading the world in the development of offshore wind power projects, consisting of about 53% of all projects in development. This is mainly due to strong regulatory support for the sector within the markets in the region.
- Despite the strong pipeline of offshore wind power projects, about 88% are still in the pre-construction phases, reflecting the uncertainty of realising offshore wind power projects currently.

The global offshore wind power project pipeline is strong, with a total capacity of about 409GW across 444 projects in the construction and pre-construction phases. With such an extensive number of projects and total capacity, offshore wind has the fourth largest power project pipeline of all the power types globally. This strong pipeline can be attributed to falling costs related to installation, operations, and maintenance of offshore wind power projects, which has increased the attractiveness of the power type to developers. According to the International Renewable Energy Agency, when comparing 2021 to 2010, offshore wind's total installed cost and levelized cost of electricity (LCOE) dropped by 54% and 109% respectively. In 2021, the total installed cost stood at USD2.86/MW and the LCOE at USD0.075/kWh.

Additionally, developments in offshore wind technology have encouraged investor uptake for the power type, shortening construction times, increasing turbine capacities and unlocking previously unconsidered areas for offshore wind power. This includes the ongoing global fleet expansion of offshore wind turbine installation vessels. Notably, in August 2022, **Goldwind** commenced the construction of a vessel, while Japanese companies **Penta-Ocean Construction** and **K Line Wind Service** partnered to explore the construction of vessels. We highlight that the current fleet of such vessels stood at an estimated 16 in 2020.



Note: Excludes projects that are completed, cancelled or suspended. Source: Fitch Solutions Key Project Database

The North America and Western Europe (NAWE) region is leading the world in the development of offshore wind power projects, consisting of about 53% of all projects in development. Of the 444 offshore wind power projects in the construction and pre-construction phases our Key Projects

Database (KPD) captures, 235 of them are located in NAWE. The total power capacity of these 235 projects is about 209GW. As seen from the column chart below, NAWE outshines other major regions including Central & Eastern Europe (CEE) and Latin America for its offshore wind power project pipeline. Asia is the only region that comes close, with a total of 168 projects in the pipeline, with a total power capacity of about 142GW.

We believe this strong pipeline of projects in NAWE is mainly due to increasing regulatory support for the sector within the markets in the region. Major markets in the region already have been commissioning offshore wind power projects, notably the UK and Germany, with the former being the largest offshore wind market currently. The resolve of the region to grow offshore wind power sectors has also strengthened, prominently in the North Sea. Germany, Belgium, the Netherlands and Denmark have all announced an offshore wind power capacity target of 65GW by 2030 and a 150GW target to be reached by 2050.

The move comes at the same time that the UK government also expanded its 2030 offshore wind power capacity target and reduced the planning period from four years to one. In August 2022, we also highlighted further policy clarity in Greece for the offshore wind sector following the market's first legislation to enable and simplify the licensing and development processes of offshore wind power projects.

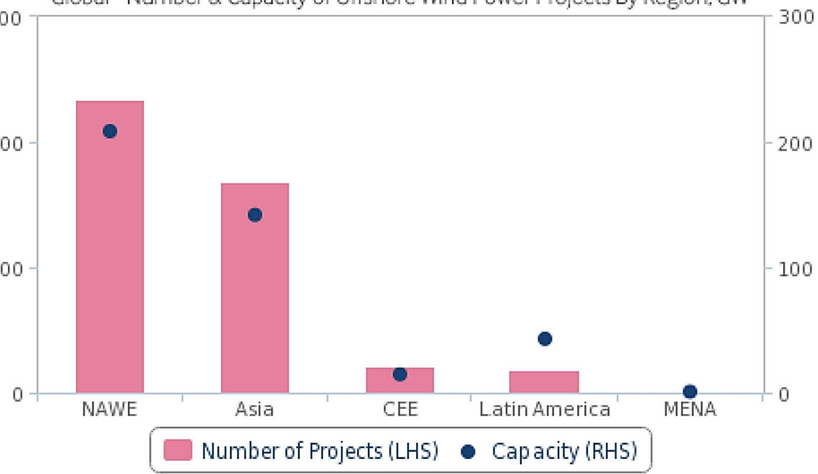
Across the Atlantic Ocean, the momentum in the US for offshore wind development is picking up, with the majority of projects being concentrated in states lying on the East Coast. States in the West Coast will also ramp up offshore wind developments toward the latter half of this decade, with the Bureau of Ocean Management (BOEM) announcing, in May 2022, new lease areas for offshore wind power project developments. Further in September 2022, BOEM announced efforts to use data and modelling to optimise the process of identifying new lease areas. Also in September 2022, the Biden administration launched a new initiative to encourage the development of the market's floating offshore wind power sector to meet a goal of 15GW by 2035. This indicates increasing support from the public sector for offshore wind power development, presenting an upside for the power sector's growth.

Despite the strong pipeline of offshore wind power projects, about 88% are still in the preconstruction phases, reflecting the uncertainty of realising offshore wind power projects currently. Additionally, out of all 36 markets that our KPD have captured with offshore wind power projects in the pipeline, only 12 have projects in construction. While we initially highlighted that the advancement of offshore wind technology is encouraging pipeline strengthening of the sector, not all markets can capitalise on offshore wind for renewable power generation. This largely stems from geographical constraints, mainly deep waters and a lack of coastal areas that are located near demand centres. This is evident through our KPD, as it highlights that markets with a strong offshore wind power project pipeline have shallower waters near coastal cities, such as the UK, Vietnam and Taiwan, China.

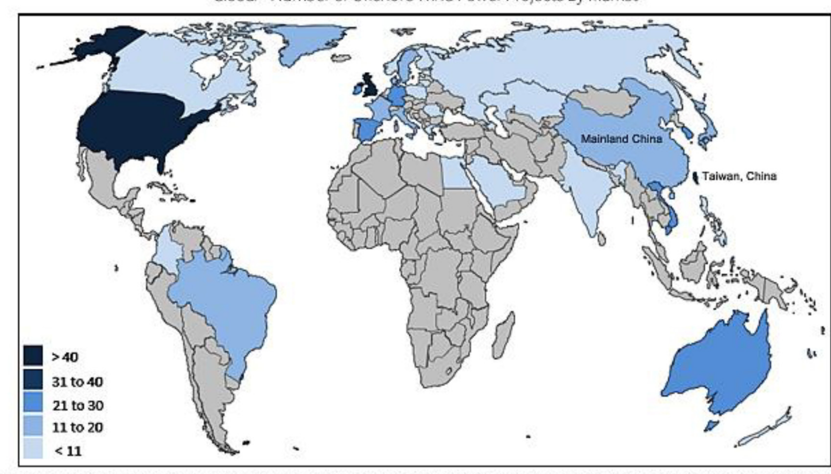
We believe the project pipeline is heavily weighted toward projects in the preconstruction phases also because of regulatory uncertainty. While there have been announcements by developers of offshore wind power projects, companies are also awaiting greater clarity of regulatory approvals and government direction before commencing project construction. Taiwan, China is an example of a market with clear regulatory support from the government, with the Ministry of Economic Affairs (MOEA) releasing a detailed plan for offshore wind power development and implementing it accordingly. Titled the 'Directions of Grid Capacity Allocation for Offshore Wind Energy Zonal Development', the MOEA announced in August 2021 that it would aim to develop 9GW of offshore wind power from 2026 to 2031 in three rounds of 3GW each. In contrast, markets in Latin America such as Chile and Argentina are lagging in developing their offshore wind power sectors despite vast resource potential. This is mainly due to government inaction in developing regulatory frameworks and strategic goals for the segment.

Therefore, clear direction from governmental agencies through policy plans will signal to developers that the government will construct a favourable environment for the development of the sector. This move could include financial incentives and instruments, such as feed-in-tariffs and tax exemptions, and increasing accessibility to financing from local institutions. ■

Source: Trends & Risks in the Global Offshore Wind Market – by Fitch Solutions, Nov 2022



Note: May include territories, special administrative regions, provinces and autonomous regions. Excludes projects that are completed, cancelled or suspended. NAWE = North America & Western Europe; CEE = Central & Eastern Europe. : Source: Fitch Solutions Key Project Database



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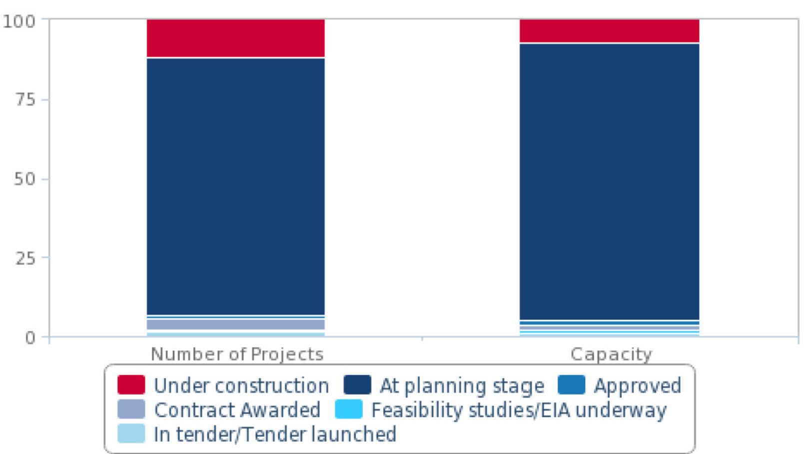

Source: Fitch Solutions Key Project Database

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شــركة مصر لتأمينات الحياة شــركة مصرية تابعة لوزارة قطاع الأعمال العام الخاضعة لأحكام القانون رقم ١٠ لســنة ١٩٨١ وتعديلاته -
ســجل تجاري رقم ٦٠٣١٣ وحاصلة على ترخيص رقم ٣ مــن الهيئة العامة للرقابة المالية
حاصل على موافقة الهيئة بتاريخ ٢٠٢٢/٣/٢٩

• *Sub-Saharan Africa Insurance Risk/Reward Index*

Key View:

SSA occupies the last position in Fitch Solutions' Insurance RRIs with an average score of 26.2 (out of a possible 100).The growth of the region's insurance sector continues to be suppressed by a number of factors, including underdeveloped life and non-life segments, political risk, low life expectancy and poverty. As a result, SSA's scores remain low in all components, especially Industry Rewards Life, where it garners just 13.2. Covid-19 had the potential to impact scores further in the short term, but the pandemic's overall impact remains limited for our Insurance RRI as we take long-term market performance and openness into account.

South Africa's well-developed market is a regional outlier, topping our index with a score of 65.0. The country has a stronger insurance sector compared with most markets in SSA, as evidenced by its 22.2 lead over offshore financial hub Mauritius in Rewards. The country also performs well in our Risks component, ranking second in Q223 with a respectable score of 65.5, behind Mauritius' 65.7.

South Africa's well-balanced profile has enabled a number of its key domestic players to expand operations into other Sub-Saharan Africa (SSA) markets and beyond, including Sanlam, Hollard, Old Mutual, Liberty Holdings and MMI Holdings Ltd.

The index has seen some shifts this quarter, most notably Zimbabwe, which has climbed three positions, narrowly missing out on the top 10, and Angola which has dropped four positions to rank in 16th. East African Community member Kenya remains in sixth position this quarter, while Tanzania has climbed three positions to rank 12th in Q223.

Botswana now ranks only slightly lower than Mauritius in its Risk component with a score of 64.6. Ghana continues to be West Africa's outperformer with a Risk/Reward Index (RRI) score of 36.0. Fellow West African markets Nigeria and Senegal rank in seventh and ninth position respectively.

Niger, Burundi, Chad, Central African Republic and the DRC populate the foot of the index. Together, the table's five lowest scorers have an average RRI score of 15.1.

The Insurance RRI considers the current state and long-term potential of the non-life and life segments. It also assesses how open each segment is to new entrants and economic conditions. Collectively, these measures enable an objective review of the limits to potential returns across all markets, and over a period of time.

The score also focuses on the risks to the realisation of returns, which is based on our proprietary Country Risk Index. It embodies a subjective assessment of the impact of the regulatory regime on the development and competitive landscape of the insurance sector.

SUB-SAHARAN AFRICA INSURANCE RISK/REWARD INDEX

	Industry Rewards	Industry Rewards Non-Life	Industry Rewards Life	Country Rewards	Rewards	Industry Risk	Country Risks	Risks	Insurance Risk/ Reward Score	Rank
South Africa	70,00	67,50	72,50	56,75	64,70	65,00	65,90	65,54	64,95	1
Mauritius	30,00	30,00	30,00	61,36	42,54	60,00	69,48	65,69	49,49	2
Botswana	23,75	20,00	27,50	53,43	35,62	60,00	67,63	64,58	44,31	3
Namibia	28,75	20,00	37,50	42,41	34,21	40,00	53,75	48,25	38,43	4
Ghana	20,00	22,50	17,50	40,07	28,03	50,00	57,84	54,71	36,03	5
Kenya	26,25	30,00	22,50	33,87	29,30	45,00	40,92	42,55	33,28	6
Nigeria	15,00	12,50	17,50	41,66	25,66	25,00	47,09	38,25	29,44	7
Uganda	16,25	17,50	15,00	33,42	23,12	40,00	41,29	40,77	28,41	8
Senegal	18,75	20,00	17,50	30,80	23,57	30,00	44,96	38,97	28,19	9
Zambia	13,75	17,50	10,00	40,66	24,51	15,00	44,30	32,58	26,93	10
Zimbabwe	28,75	32,50	25,00	29,27	28,96	20,00	23,13	21,88	26,83	11
Tanzania	12,50	15,00	10,00	29,47	19,29	40,00	47,01	44,21	26,76	12
Cote d Ivoire	17,50	20,00	15,00	31,82	23,23	40,00	30,89	34,54	26,62	13
Gabon	8,75	12,50	5,00	37,16	20,12	30,00	48,93	41,36	26,49	14
Malawi	10,00	10,00	10,00	33,40	19,36	40,00	43,09	41,85	26,11	15
Angola	13,75	20,00	7,50	32,05	21,07	40,00	36,26	37,76	26,08	16
Burkina Faso	11,25	15,00	7,50	26,49	17,35	30,00	44,25	38,55	23,71	17
Cameroon	13,75	17,50	10,00	24,94	18,23	30,00	38,08	34,85	23,21	18
Benin	7,50	7,50	7,50	25,34	14,64	30,00	42,61	37,57	21,52	19
Mali	7,50	10,00	5,00	27,97	15,69	20,00	42,76	33,65	21,08	20
Togo	10,00	10,00	10,00	26,66	16,66	20,00	35,20	29,12	20,40	21
Rwanda	5,00	7,50	2,50	34,79	16,92	10,00	39,59	27,75	20,17	22
Congo-Brazzaville	7,50	10,00	5,00	21,14	12,96	20,00	39,64	31,78	18,60	23
Madagascar	3,75	5,00	2,50	27,30	13,09	10,00	39,97	27,98	17,92	24
Guinea	2,50	2,50	2,50	23,22	10,79	20,00	35,08	29,05	16,27	25
Ethiopia	2,50	2,50	2,50	29,66	13,36	10,00	31,46	22,88	16,22	26
Niger	3,75	5,00	2,50	25,99	12,65	15,00	30,12	24,07	16,07	27
Burundi	5,00	5,00	2,50	24,61	12,84	20,00	27,72	24,63	16,02	28
Chad	3,75	5,00	2,50	24,07	11,88	20,00	24,25	22,55	15,08	29
Central African Republic	3,75	5,00	2,50	24,38	12,00	20,00	22,34	21,40	14,82	30
DRC	3,75	5,00	2,50	17,34	9,19	10,00	31,48	22,89	13,30	31
Regional Average	**14,35**	**15,48**	**13,15**	**32,63**	**21,66**	**29,84**	**41,52**	**36,85**	**26,22**	

Note: Scores out of 100; higher score = lower risk.

Source: Fitch Solutions

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Source: Fitch Solutions Country Risk & Industry Research – February 2023

- ***Reinsurance premium by country***

In thousands USD

Region/country	2017	2018	2019	2020	2021	2017-2021 evolution	2021 shares
North Africa							
Algeria	256282	269172	299206	242195	285496	11.40%	5.83%
Morocco	215580	211578	210280	295730	281770	30.70%	5.76%
Tunisia	48984	47434	57937	58516	56630	15.61%	1.16%
Egypt	38960	51730	64410	43680	32280	-17.15%	0.66%
Total	**559806**	**579914**	**631833**	**640121**	**656176**	**17.21%**	**13.40%**
CIMA Zone							
Togo	84 629	93 153	109 095	158 254	176 174	108.17%	3.60%
Senegal	25 457	29 688	31 703	36 083	41 489	62.98%	0.85%
Côte d'Ivoire [1]	58 289	58 722	60 078	61 004	61 420	5.37%	1.25%
Gabon	22 445	23 226	25 015	23 547	25 333	12.87%	0.52%
Burkina Faso	20 938	18 098	21 636	22 741	22 628	8.07%	0.46%
Total	**211 758**	**222 887**	**247 527**	**301 629**	**327 044**	**54.44%**	**6.68%**
Other West African countries							
Nigeria [2]	830 211	891 363	975 383	944 774	1 016 382	22.42%	20.76%
Sierra Leone	62 119	57 972	70 340	102 604	153 349	146.86%	3.13%
Ghana [3]	47 734	47 822	50 281	59 887	69 567	45.74%	1.42%
Total	**940 064**	**997 157**	**1 096 004**	**1 107 265**	**1 239 298**	**31.83%**	**25.31%**
East and Central Africa							
Kenya [4]	354 138	395 123	466 986	460 455	507 611	43.34%	10.37%
Tanzania	34 734	47 954	60 800	60 475	71 204	105.00%	1.45%
Other reinsurers [5]	34 514	35 526	40 540	44 268	47 974	39.00%	0.98%
Total	**423 386**	**478 603**	**568 326**	**565 198**	**626 789**	**48.04%**	**12.80%**
Southern Africa							
South Africa [6]	1763187	1776355	2033089	1981366	1893870	7.41%	38.68%
Zimbabwe [7]	114436	125492	40961	66682	106579	-6.87%	2.18%
Namibia	23638	20141	21012	41515	46309	95.91%	0.95%
Total	**1901261**	**1921988**	**2095062**	**2089563**	**2046758**	**7.65%**	**41.80%**
Total Africa	**4036275**	**4200549**	**4638752**	**4703776**	**4896065**	**21.30%**	**100%**

[1] Data from two reinsurers: NCA Re and Aveni Re

[2] Data from two reinsurers: Africa Re and Continental Re

[3] Ghana has 2 reinsurers: Ghana Re and Mainstream Reinsurance

[4] Kenya has 6 reinsurers: Zep Re (PTA Reinsurance Co), Kenya Re, East Africa Re, Continental Re Kenya, Waica Re Kenya and Ghana Re Kenya

[5] Data from 3 reinsurers: Uganda Re (Uganda), Ethiopian Re (Ethiopia) and Zambia Re (Zambia)

[6] Data from 6 South African reinsurers

[7] Data from 12 Zimbabwean reinsurers

• African Reinsurers: Ranking according to turnover 2021

Figures in thousands USD

2021 ranking	Company	Country	Turnover			
			2020	2021	2020-2021 evolution	2021 shares
1	**Africa Re**	Nigeria	804774	845 346	5.04%	17.27%
2	**Munich Re Co. of Africa**	South Africa	980120	825 601	-15.77%	16.86%
3	**Hannover Re South Africa**	South Africa	422021	474 988	12.55%	9.70%
4	**Compagnie Centrale de Réassurance**	Algeria	242195	285 496	17.88%	5.83%
5	**Société Centrale de Réassurance**	Morocco	295730	281 770	-4.72%	5.76%
6	**General Re Africa**	South Africa	254864	261 729	2.69%	5.35%
7	**Zep Re (PTA Reinsurance Co)**	Kenya	208160	213 013	2.33%	4.35%
8	**Kenya Re**	Kenya	168671	178 721	5.96%	3.65%
9	**CICA-RE**	Togo	158254	176 174	11.32%	3.60%
10	**Continental Re**	Nigeria	140000	171 036	22.17%	3.49%
11	**WAICA Re**	Sierra Leone	102604	153 349	49.46%	3.13%
12	**African Reinsurance Corporation**	South Africa	144697	132 801	-8.22%	2.71%
13	**SCOR SE – Africa Branch**	South Africa	101350	100 141	-1.19%	2.05%
14	**GIC Re South Africa**[1]	South Africa	78319	98 610	25.91%	2.01%
15	**Tan Re**	Tanzania	60475	71 204	17.74%	1.45%
16	**Ghana Re**	Ghana	52968	62 442	17.89%	1.28%
17	**Tunis Re**	Tunisia	58516	56 630	-3.22%	1.16%
18	**Continental Re Kenya**	Kenya	33188	53 386	60.86%	1.09%
19	**Namib Re** [1]	Namibia	41515	46 309	11.55%	0.95%
20	**Sen Re**	Senegal	36083	41 489	14.98%	0.85%
21	**East Africa Reinsurance**	Kenya	36431	37 969	4.22%	0.78%
22	**NCA Re**	Côte d'Ivoire	34092	34 670	1.70%	0.71%
23	**Africa Retakaful Company** [2]	Egypt	43680	32 280	-26.10%	0.66%
24	**Aveni Re**	Côte d'Ivoire	26912	26 750	-0.60%	0.55%
25	**Ethiopian Reinsurance**[2]	Ethiopia	25299	26 032	2.90%	0.53%
26	**SCG-Ré**	Gabon	23547	25 333	7.58%	0.52%
27	**Globus Re**	Burkina Faso	22741	22 628	-0.50%	0.46%
28	**Zep Reinsurance**	Zimbabwe	8157	18 021	120.93%	0.37%
29	**Uganda Re**	Uganda	16574	17 213	3.86%	0.35%
30	**ZB Reinsurance**	Zimbabwe	10632	14 440	35.82%	0.29%
31	**Tropical Reinsurance**	Zimbabwe	9549	13 126	37.46%	0.27%
32	**Waica Re Kenya**	Kenya	6556	13 033	98.79%	0.27%
33	**FBC Reinsurance**	Zimbabwe	7414	12 878	73.70%	0.26%
34	**Grand Reinsurance**	Zimbabwe	11754	12 677	7.85%	0.26%
35	**Waica Re Zimbabwe**	Zimbabwe	6623	12 190	84.06%	0.25%
36	**Ghana Re Kenya**	Kenya	7449	11 489	54.24%	0.23%
37	**Emeritus Reinsurance**	Zimbabwe	7882	10 915	38.48%	0.22%
38	**Mainstream Reinsurance**	Ghana	6919	7 125	2.98%	0.15%
39	**First Mutual Reinsurance**	Zimbabwe	2799	6 912	146.95%	0.14%
40	**Zambia Re**	Zambia	2395	4 729	97.45%	0.10%
41	**Emeritus Re (Life)**	Zimbabwe	1156	3 452	198.62%	0.07%
42	**FBC Reinsurance (Life)**	Zimbabwe	374	1 045	179.41%	0.02%
43	**Zep Re Life**	Zimbabwe	166	577	247.59%	0.01%
44	**First Mutual Reinsurance (Life&Health)**	Zimbabwe	176	346	96.59%	0.01%
Total Africa			**4703776**	**4896065**	**4.09%**	**100%**

[1] Year ending March [2] Year ending June

Source: Atlas Magazine – 26 January 2023

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• *COMESA insurance arm to cover underwriters for livestock farmers*

Regional insurer Zep-Re has been appointed to cover underwriters for livestock farmers in a project meant to lessen the blow of drought in the region. The $360 million programme supported by the World Bank means the firm, the insurance arm of the Common Market for Eastern and Southern Africa (COMESA), will cover underwriters in Kenya and four other countries in the Horn of Africa to de-risk livestock farmers.

Drought in the region has seen 11 million animals die so far and the Intergovernmental Authority on Development (Igad) last week warned the region should brace for more failed rains in the next season.Djibouti, Ethiopia, Somalia and Eritrea are participating in this exercise for the first time leveraging on the success of the Kenya Livestock Insurance Programme that was introduced in 2015.Protect pastoral economiesThe programme dubbed Drive (De-risking, Inclusion and Value Enhancement of Pastoral Economies), is aimed at protecting pastoral economies against drought risk, to increase their financial inclusion and connect them to markets.

Zep-Re Chief Executive Rachel Murera said farmers will pay 20 percent as a premium while 80 percent will be covered by their respective governments under the funds that come in form of grant and loan."This scheme will play a big role in mitigating the effects of drought in participating countries, especially now when the drought situation is getting worse," said Murera.

Food insecure:

The Food Security and Nutrition Working Group estimates that close to 23 million people are currently food insecure in Ethiopia, Kenya and Somalia.According to Igad, below-normal rainfall is expected in most parts of the Greater Horn of Africa over the next three months.

"In parts of Ethiopia, Kenya, Somalia and Uganda that have been most affected by the recent drought, this could be the sixth failed consecutive rainfall season," said the agency in Nairobi this week.Kenya says at least 2.6 million livestock have died in the past five months.Kenya's Agriculture Cabinet Secretary Mithika Linturi said severe droughts, on average, affects 3-4 million people in each cycle in the country with the most affected regions being arid and semi-arid lands.

"High exposure to severe drought shocks, and their devastating impact on livestock production systems informed the ministry to adopt livestock insurance for rangelands. Severe drought shocks not only disrupt the livestock production but also hurt livestock markets," said Mr Linturi.

Mr Linturi said managing drought shocks, encouraging herders to offload animals that are ready for market, and supporting private sector investments in livestock value chain will unlock the potential of the pastoral production system. ■

The East African - 28 February 2023

• *AfDB, others approve $350m for food security*

African Development Bank (AfDB) and Global Centre on Adaptation (GCA) are rolling out a $350 million project to build resilience for food and nutrition security in the horn of Africa.

Under the African Adaptation Acceleration Programme (AAAP), the Chief Executive Officer, GCA, Prof. Patrick Verkooijen, said the two organisations are rolling out the multi-million dollar project to improve small business resilience for food and nutrition security.

He noted: 'This is toward mobilising new digital climate technology for market information, insurance products, and financial services that can and must be tailored to smallholder farmers' needs.'

Verkooijen spoke at a three-day regional forum on the future of resilient food systems in Africa organised by the GCA and AfDB. The forum urged the Future of Resilient Food Systems in Africa - AAAP Digital Solutions for a Changing Climate provided through training for stakeholders across Eastern Africa. The training strengthened their capacity to design and implement solutions to improve food security and climate resilience. It was also meant to facilitate knowledge sharing among farmers on scaling up the use of Digital Climate-informed Advisory Services (DCAS).

Verkooijen called for urgent financial support to put Africa on the path of food sovereignty.

DCAS are tools and platforms that integrate climate information into agricultural decision-making.

Globally, more than 300 million small-scale farmers have limited or no access to DCAS because service provision is still fragmented, unsustainable beyond project cycles, and not reaching the last mile.

According to Verkooijen, Africa needs urgent support to scale up the implementation of adaptation solutions. The AfDB's East Africa Regional Director-General, Nnenna Nwabufo, represented by Dr Pascal Sanginga, the Regional Sector Manager for Agriculture and Agro-Industries, said the forum was timely. The AAAP is already contributing to closing Africa's adaptation gap by supporting African countries to make a transformational shift in their development pathways.

'It is putting climate adaptation and resilience at the centre of their policies, programmes, and institutions. There is no doubt that AAAP will be a strong component of the country's Food and Agricultural Delivery Compacts. As it will accelerate the transformation of Africa's food systems and build a more resilient Africa,' Nwabufo said.

Vice Chancellor of the University of Nairobi, Prof. Stephen Gitahi, said 70 per cent of the population in Eastern Africa live in rural areas and depend on agriculture for their livelihoods. Gitahi encouraged the trainers to simplify the modules to remove the fear of technology and accelerate adaptation for rural farmers. We acknowledge that gaps exist on climate adaptation in the rural communities, and those can be smartly bridged with the use of digital smart agriculture and climate innovations,' he said.

The forum brought together stakeholders and participants from Djibouti, Eritrea, South Sudan, Burundi, Rwanda, Mauritius, Tanzania, Seychelles, Sudan, Ethiopia, Rwanda and Kenya. ■

The Nation (Nigeria) - 28 February 2023

DJIBOUTI

Djibouti Financial Services

Opportunities ahead: New developments and alliances could bolster insurance uptake

Although it remains a relatively small market with only two players, insurance in Djibouti continues to align with economic development. Most of the sector's business is driven by the automotive line; however, new economic activities are expanding the market's offerings.

International cooperation with Djibouti's neighbours has improved, as stronger commercial links have made cross-border transport and regional automotive insurance critical for seamless trade activities across the Horn of Africa.

Despite the opportunities for sector expansion, data shows that further efforts are needed to unlock the market's potential. As of December 2016 insurance premium as a percentage of GDP stood at 1%, according to the Ministry of Economy and Finance, in Charge of Industry (Ministère de l'Economie et des Finances, Chargé de l'Industrie, MEFI).

Analysis

SECTOR FIGURES:

The low contribution of insurance premium to GDP, however, is partly due to the country's significant economic acceleration. Djibouti's GDP has been expanding rapidly in recent years, growing by 6% in 2014 and by 6.5% for 2015 and 2016, according to the IMF. In its 2017 annual report, the Central Bank of Djibouti reported that GDP rose by 6.2% that year.

Though insurance premium have been on the rise, their growth has been outpaced by that of GDP. As a result, insurance premium as a percentage of GDP dipped from 1.2% in 2014 to 1% in 2016. Nevertheless, sector premium have been increasing steadily over the years, up from DJF2.4bn ($13.5m) in 2010 to DJF3.3bn ($18.6m) in 2016.

Sector profit margins also increased from 32.5% to 38.2% in 2016, which is considerably higher than the profitability of many other markets. The Inter-African Conference for Insurance Markets, which oversees the performance of insurance in 14 countries, including Cameroon and Côte d'Ivoire, reported that these nations had average profit margins of 8.4%.

A fundamental reason that profitability has remained elevated compared to other countries is the establishment of a maximum compensation payout for several insurance segments, including third-party liability motor vehicle insurance, which accounts for more than half of the market.

"Before this regulation was implemented in 2000 there was inflation on insurance payouts," Aden Saleh Omar, sub-director for insurance at MEFI, told OBG. "Because there were no limits, payouts for corporeal damages could vary from case to case, even if the accidents were similar. By setting a regulatory framework for this, we have been able to help maintain the sector's profitability. Moreover, it is also advantageous for the injured person, who now has the right to an established amount determined in a transparent and equitable way."

INSURANCE SEGMENTS:

The insurance market is driven by a number of key business segments. Chief among them is the automotive segment, which accounted

for 62.6%, or roughly DJF2bn ($11.3m), of premium in 2016. This is largely due to the fact that third-party liability coverage is compulsory for all drivers in Djibouti, as well as for cargo imports.

The second-biggest line is fire insurance and other damages, which accounted for 12% of total premium in 2016, up from 9.1% in 2014. Other risks and direct damages made up 10.9% of total premium in 2016, according to government figures.

The potential for further sector growth is expanding thanks to the development of new sectors. For instance, the opening of the country's first modern retail shopping centre, the Bawadi Mall, in mid-March 2018 is expected to result in the expansion of formal retail operations. "The new mall has been very positive for the sector," David Boucher, commercial director at GXA Assurances, one of the two insurance companies in Djibouti, told OBG. "This new type of entertainment has been warmly welcomed, and insurance companies are ready to accompany these new businesses," he added.

REGULATION:

The emergence of a domestic insurance sector in Djibouti came about with sector reforms in 1999/2000. Up until that point insurance services in the country had been provided by foreign companies with local agencies.

The lack of a comprehensive insurance regulation permitted foreign operators to maintain their accounting and assets abroad, preventing insurance activities from having any real impact on the economy, and making it difficult for Djiboutian authorities to enforce the payment of insurance liabilities.

The implementation of the new law reversed the situation, compelling local insurance providers to keep all their assets and accounting inside the country.

This resulted in the establishment of the market's two operators – GXA Assurances and Assurance AMERGA – in 2001. As of 2016 GXA Assurances had the largest share of the market, with 55.4%, followed by Assurance AMERGA, with the remaining 44.6%. Market shares have become more balanced between the two insurance companies over time; in 2014 GXA Assurances held a bigger slice of the market, with 59.6%.

The sector is regulated by a dedicated insurance directorate at the MEFI. Regulation for Islamic insurance was passed in 2012 and reinforced with specific application directives in 2014.
Recently, as competition began to push auto insurance prices downwards in some segments, the government implemented minimum prices for third-party liability insurance in early 2018. The measure, which has been adopted in other African insurance markets, was implement-

ed to avoid a slowdown in the market's key insurance segment, but also to protect the long-term solvability of the two insurance companies. "Ultimately you need to ensure that companies are able to pay those that are insured," Omar told OBG.

INSURANCE INTEGRATION:

The limited size of the market, as well as the absence of a domestic reinsurer, has forced local operators to turn to international reinsurance companies.

In order to keep some reinsurance premium in the market, however, Djibouti integrated its insurance market with that of COMESA. In 2014 it became compulsory for Djiboutian insurance firms to reserve 30% of all reinsurance and 15% of all fronting agreements with regional reinsurer PTA Reinsurance Company, which is owned by the governments of Djibouti, Rwanda, Mauritius, Sudan and Kenya, among others.

Besides regional financial integration, the move also allows for the securing of some reinsurance volumes in the Djiboutian economy, as both the government and the two private insurance operators have stakes in the regional reinsurance firm.

Integration has also taken place under the Yellow Card insurance scheme, a third-party motor vehicle insurance that covers material and health costs for drivers travelling across 13 COMESA countries.

Effectively, the scheme eliminates the need for individual insurance coverage in each of the COMESA member states. In 2017 Djibouti accounted for 3.7% of the DJF1.6bn ($9m) in premium linked to the "yellow card" insurance system.

GROWTH POTENTIAL:

Despite gradual improvement in the sector, as well as its more cohesive integration in the region, insurance intake remains limited. A lack of a deeply ingrained insurance culture, coupled with high levels of poverty, have served as obstacles to higher penetration rates. "Insurance in Djibouti is still a novel thing and somewhat misunderstood," Nasir Abdo Abdallah, technical director at GXA Assurances, told OBG. "And so the sector faces challenges in terms of reaching new customers."

Spending figures can attest to this claim. The average annual expenditure per capita on insurance coverage in Djibouti is $23, less than half the African average of $50 per person per year. Bringing Djibouti up to speed on this front will depend on regulatory backing and product sophistication that can adapt market offerings to the country's specific needs. ■

Source: Djibouti: The Report 2023 – by Oxford Business Group

EGYPT

• Egypt to complete Misr Life Insurance share sale before H1-end: Minister [1]

Egypt plans to complete selling shares of Misr Life Insurance on the stock exchange or offering them to strategic investors before the end of the first half of the year, its public enterprise minister said on Tuesday. Minister Mahmoud Esmat further said that Misr Life is now ready for the IPO process following the completion of some technical reviews.

Earlier in December last year, Misr Insurance Holding (MIHC) signed a cooperation protocol with the Sovereign Fund of Egypt (TSFE) for the sale of 25 percent stake of Misr Life on the stock exchange.

NI Capital has been picked as an advisor for Misr Life's IPO and Zaki Hashem & Partners has been tapped as a legal counsel. Earlier this month, Egyptian government revived a stalled programme to sell stakes in state-run banks and companies, including in two military-owned affiliated firms, as part of a plan to revamp the national economy that was battered by the Russian war in Ukraine.

Under the plan, the government will offer for sale stakes in 32 firms in a variety of sectors, ranging between banking, oil, real estate, insurance, and ports. Among those firms are Misr Life Insurance and Misr Insurance.

Financial Statements [2]

Balance Sheet	06/30/2022		06/30/2022
	EGP (000)	%	USD (000)
Cash and Short Term Investments	8,369,156	18.3	445,992
Bonds	18,859,054	41.1	1,004,999
Equity Securities	7,536,979	16.4	401,646
Other Invested Assets	9,138,477	19.9	486,989
Total Cash and Invested Assets	43,903,666	95.8	2,339,626
Debtors / Amounts Receivable	688,424	1.5	36,686
Other Assets	1,239,696	2.7	66,063
Total Assets	45,831,786	100.0	2,442,376
Life - Outstanding Claims	482,668	1.1	25,721
Life - Long Term Business	32,200,523	70.3	1,715,966
Life - Linked Liabilities	7,719	...	411
Total Gross Technical Reserves	32,690,910	71.3	1,742,099
Other Liabilities	2,914,666	6.4	155,323
Total Liabilities	35,605,576	77.7	1,897,421
Capital Stock	3,000,000	6.5	159,870
Retained Earnings	1,839,954	4.0	98,051
Other Capital and Surplus	5,386,256	11.8	287,034
Total Capital and Surplus	10,226,210	22.3	544,955
Total Liabilities and Surplus	45,831,786	100.0	2,442,376

Income Statement	06/30/2022				06/30/2022
	Non-Life	Life	Other	Total	Total
	EGP (000)	EGP (000)	EGP (000)	EGP (000)	USD (000)
Gross Premiums Written	...	9,223,410	...	9,223,410	491,516
Net Premiums Earned	...	8,605,310	...	8,605,310	458,577
Net Investment Income	...	3,197,368	882,621	4,079,989	217,423
Realized capital gains / (losses)	...	195,704	-70,817	124,887	6,655
Other Income	...	1,928	...	1,928	103
Total Revenue	...	12,000,310	811,804	12,812,114	682,758
Benefits and Claims	...	9,058,462	...	9,058,462	482,725
Net Operating and Other Expense	...	2,098,219	-216,242	1,881,977	100,291
Total Benefits, Claims and Expenses	...	11,156,681	-216,242	10,940,439	583,016
Pre-Tax Income	...	843,629	1,028,046	1,871,675	99,742
Income Taxes Incurred	...	...	...	25,298	1,348
Net Income before Non-Controlling Interests	...	...	...	1,846,377	98,393
Net Income/(loss)	...	...	...	1,846,377	98,393

US $ per Local Currency Unit .05329 = 1 Egyptian Pound (EGP)

(1) Amwal Al Ghad - 23 February 2023
(2) Best's Credit Report - 22 December 2022

Egypt's IPO Program at A Glance

The Egyptian Cabinet announced, on February 8th, 2023, that it will offer 32 state-owned companies and banks for sale through Initial Public Offerings (IPOs) or to strategic investors; this process will take place within a year starting from Q1 2023 to Q1 2024.

In this Factsheet, Arab Finance provides the main milestones in the Egyptian government's journey towards liberalizing its assets.

- The offered companies work in 18 economic sectors, including two military-owned companies and three banks, in addition to energy, insurance, and petrochemicals companies.
- *Around 25% of these companies will be listed on the EGX within six months.
- Raising the contribution of the private sector from 30% to 65% within three years, through the government IPO program, is a strategic goal for the State Ownership Policy Document, which moves in line with the International Monetary Fund's (IMF) recommendations under the $3 billion loan.
- Egypt has committed to securing $2.5 billion from selling its public assets by the end of fiscal year (FY) 2022/2023. Selling these assets takes place through the Sovereign Fund of Egypt's (SFE) pre-IPO fund, which prepares the state-owned companies for listing.
- The roots of the government IPO program go back to 2016, when the government first announced its plan to sell state-owned assets and companies. This was initiated as part of the economic reform program implemented by the government under the $12 billion IMF loan.
- In 2018, the government announced its plan to offer minority shares in 23 public companies on the EGX to raise EGP 80 billion within two years. However, this step was postponed several times, as the global economic conditions were not in favor of the offering.
- To minimize the risk of unstable global market conditions, the Egyptian government tended to offer shares in listed companies through secondary offerings. In March 2019, the government offered a minority stake of only 4.5% in the tobacco business, Eastern Company. This offering was further followed by several delays due to the COVID-19 pandemic, which hit the global market and severely affected all economies.
- In October 2021, the state offered shares of its fintech company, e-finance. The company's IPO achieved unprecedented results and was the largest in Egypt since 2015. This IPO was followed by another one in December, through which a 10% stake in Abu Qir Company for Fertilizers was offered for underwriting. The government in 2022 had a promising plan to offer 10 companies; however, this plan was hit by the Russian-Ukrainian war that started in February 2022 and pushed capital markets down. In 2022 alone, Ghazl El Mahalla Club was offered in June; however, the offering failed to achieve the required target. ■

Source: Arab Finance – 26 February 2023

For more about "Egyptian Insurance Market" follow these links:

» **Egypt: Insurance Market Overview** | FAIR Review - Issue 189, Sep 2021
» **Egypt: Country Profile - Atlas Magazine, Issue 193, July 2022** (English Version | French Version)

CÔTE D'IVOIRE

- *Insurance Market Fact sheets*

Population: 27 053 629 inhabitants	**GDP:** 69.76 billion USD
GDP per inhabitant: 2 578.6 USD	**GDP growth rate:** 7%
Inflation rate: 4.1%	Data as of 31/12/2021, Source: World Bank

Ivorian insurance market: MAIN INDICATORS

	2021
Turnover	805.664 million USD
Penetration rate	1.15%
Insurance density	29.78 USD

Côte d'Ivoire: INSURANCE MARKET STRUCTURE

Market stakeholders	Total		
Non-life insurance companies	20	Brokerage companies	221
Life insurance companies	10	Health Fund Managers	12
Reinsurance companies	8		

Data as of 31/12/2021

Supervisory authority	
Ministry of Economy, Finance and Development Insurance Department	www.finances.gouv.ci
Professional body	
Association des Sociétés d'Assurances de Côte d'Ivoire (ASACI)	www.asaci.net

Ivorian insurance market: PREMIUM EVOLUTION

Figures in thousands USD

	2017	2018	2019	2020	2021	2021 shares
Motor	109 500	121 039	124 555	146 261	141 930	17.62%
Bodily injury and health	96 579	116 637	122 136	137 100	135 822	16.86%
Fire and other property damage	61 908	56 529	62 747	73 049	89 346	11.09%
Marine	31 376	34 996	39 509	40 739	42 287	5.25%
General third party liability	10 688	12 324	13 570	15 634	16 304	2.02%
Miscellaneous risks	14 894	15 843	17 798	20 946	20 984	2.60%
Non life acceptances	251	1 701	1 848	3 413	2 864	0.36%
Total non-life	**325 196**	**359 069**	**382 163**	**437 142**	**449 537**	**55.80%**
Individual insurance	140 395	145 149	164 476	202 024	212 021	26.32%
Group insurance	127 968	123 438	123 286	137 875	143 193	17.77%
Life acceptances	1 226	1 291	753	1 247	913	0.11%
Total life	**269 589**	**269 878**	**288 515**	**341 146**	**356 127**	**44.20%**
Grand total	**594 785**	**628 947**	**670 678**	**778 288**	**805 664**	**100%**

Sources: Swiss Re Institute & Atlas Magazine
Exchange rate as at 31/12/2017 : 1 FCFA = 0.00183 USD ; at 31/12/2018 : 1 FCFA = 0.00174 USD ; at 31/12/2019 : 1 FCFA = 0.00171 USD ; at 31/12/2020 : 1 FCFA = 0.00187 USD ; 31/12/2021 : 1 FCFA = 0,00173 USD.

Ivorian insurance market: LOSS RATIO 2021 PER CLASS OF BUSINESS

Figures in thousands

	Incurred losses		Earned premiums		Loss ratio
	FCFA	USD	FCFA	USD	
Motor	33 985 835	58 796	81 860 880	141 619	41.52%
Bodily injury and health	55 544 711	96 092	78 888 807	136 478	70.41%
Fire and other property damage	15 115 282	26 149	49 707 811	85 995	30.41%
Marine	2 776 707	4 804	24 004 322	41 527	11.57%
General third party liability	4 225 614	7 310	8 972 079	15 522	47.10%
Miscellaneous risks	3 009 412	5 206	12 034 935	20 820	25.01%
Non life acceptances	1 133 935	1 962	1 545 697	2 674	73.36%
Total non-life	**115 791 496**	**200 319**	**257 014 531**	**444 635**	**45.05%**

Ivorian insurance market: MANAGEMENT EXPENSES RATIO 2021 PER CLASS OF BUSINESS

Figures in thousands

	Acquisition and administrative expenses		Gross written premiums		Gross management expenses ratio
	FCFA	USD	FCFA	USD	
Motor	35 381 071	61 209	82 040 306	141 930	43.13%
Bodily injury and health	25 414 254	43 967	78 509 851	135 822	32.37%
Fire and other property damage	13 857 246	23 973	51 645 288	89 346	26.83%
Marine	7 632 268	13 204	24 443 696	42 287	31.22%
General third party liability	3 960 325	6 851	9 424 110	16 304	42.02%
Miscellaneous risks	3 730 038	6 453	12 129 282	20 984	30.75%
Non life acceptances	522 132	903	1 655 659	2 864	31.54%
Total non-life	**90 497 334**	**156 560**	**259 848 192**	**449 537**	**34.83%**

Ivorian insurance market: COMBINED RATIO 2021 PER CLASS OF BUSINESS

	Loss ratio	Management expenses ratio	Combined ratio
Motor	41.52%	43.13%	84.65%
Bodily injury and health	70.41%	32.37%	102.78%
Fire and other property damage	30.41%	26.83%	57.24%
Marine	11.57%	31.22%	42.79%
General third party liability	47.10%	42.02%	89.12%
Miscellaneous risks	25.01%	30.75%	55.76%
Non life acceptances	73.36%	31.54%	104.90%
Total non-life	**45.05%**	**34.83%**	**79.88%**

■

Source: Atlas Magazine – 20 December 2022

NIGERIA

- ***Nigeria to stop paying war risk premiums to Lloyds of London***

After years of financial commitment to Llyod's of London on War Risk Insurance (WRI), Nigeria has finally ended partnership in the annual payment of $793. million as insurance premium with regard to vessels calling on the country's waters.

Findings by New Telegraph revealed that the country's maritime domain had been removed from the list of countries regarded as the hot bed of piracy. Prior to the current development, the Nigerian Maritime Administration and Safety Agency (NIMASA) had made efforts to ensure that Nigeria's name was delisted from the WRI classification.

The classification meant that vessels calling at the ports were subjected to high insurance premium as a result of high risk of piracy on the territorial waters.

The war insurance premium meant that cargo ships and other vessels plying the Nigerian route or whose destination was Nigeria paid significantly higher premium on insurance due to heightened insecurity, fears and attacks including piracy which were a frequent occurrence in the past before the Nigerian Navy overcame the criminal activities of pirates in the country's sea lanes and maritime domain. In 2020, the Seas Research Group report revealed that cargo owners pay over $1.9 billion annually on security to ferry their goods to Nigeria and other countries in the Gulf of Guinea. It added that 106 piracy incidents was recorded in 2020, leading to kidnapping of 623 seafarers.

According to the Director- General of NIMASA, Dr Bashir Jamoh, the agency had contacted the international insurance bodies over the continuous listing and collection of WRI from vessels calling at the country's seaports. Jamoh said that this was a confirmation of the improved global ratings of security in Nigerian maritime domain as a result of sustained collaborative efforts between agency and the Nigerian Navy.

The International Bargaining Forum (IBF) had removed Nigeria from the list of countries designated as risk maritime nations. IBF, a body that brings together the International Transport Federation (ITF) and the international maritime employers that make up the Joint Negotiating Group (JNG) had listed five designated risk areas and applicable benefits in the event of attacks leading to deaths and disability, mentioning the Gulf of Guinea as second extended war risk zone covering Liberia/ Ivory coast border to 00°N 005°E, to the Angola/ Namibia border. Jamo, while reacting to the IBF report, described it as a landmark achievement under the administration of President Muhammadu Buhari.

He explained: "This achievement is a product of a well-structured multimodal policy which has been implemented over the years to fight piracy and other criminalities in Nigerian Waters. The Legal instrument called SPOMO Act signed into Law by President Buhari in 2019, the full implementation of the Deep Blue Project by NIMASA, expanded as-

sets and capacity of the Nigerian Navy, enhanced cooperation between NIMASA and the Nigerian Navy, and the regional collaborative efforts under the umbrella of SHADE Gulf of Guinea midwifed by NIMASA, are all policies of the current administration and the benefits are gradually coming to fruition. We are focused on ultimately improving and reducing the cost of commercial shipping in Nigeria.

"Notable maritime institutions like the International Maritime Bureau (IMB) and the International Maritime Organisation, IMO, have lauded the reduction in piracy in Nigeria following enhanced patrol and relevant Memorandum of Understanding (MoU) entered by NIMASA with other security agencies."

The Chief of Naval Staff, Vice Admiral Gambo, also said in Abuja that owing to improved naval operations at Nigeria's maritime domain and enhanced security architecture in the country's sea lanes, Nigeria had been removed from the list of countries paying war insurance premium on ships, whose destination is Nigeria by Llyods of London, United Kingdom.

Gambo explained: "With the removal of the tag, insurance premium to be paid by ships doing business with, or plying Nigerian sea lanes will become normal insurance paid by other countries which is less expensive and will enhance shipping/cargo trade." ■

Source: New Telegraph (www.www.newtelegraphng.com) - 28 February 2023

• *Nigerian Insurers Association (NIA): Brokers Contribute 60% of Insurance Premium*

The Nigerian Insurers Association (NIA), has disclosed that insurance brokers contributed no less than 60 per cent of insurance business in Nigeria in 2021.

The association said this has confirmed the claim that insurance market in Nigeria was broker dominated.

The Director General of NIA, Mrs. Yetunde Ilori, stated that out of the 60 per cent, 80 per cent of it was for Non-Life Insurance business while 40 per cent was contributed for Life.

Ilori who spoke at the Management Retreat of the Lagos Area Committee of the Nigerian Council of Registered Insurance Brokers (NCRIB) in Lagos, noted that brokers in the Lagos Market contributed 60 per cent of the business volume, underscoring the strategic importance of the brokers located in the axis. ■

Source: New Telegraph (www.www.newtelegraphng.com) - 6 February 2023

قنـــاة السويس للتأمين
Suez Canal Insurance

أمان من زمان

16569

الرقم الضريبي : 200-022-296

المركز الرئيسى : ٣١ شارع محمد كامل مرسى - المهندسين - الجيزة
تليفون : ٣٧٦٠١٠٥١ - ٣٧٦٠٦٨٦٨ فاكس : ٣٣٣٥٤٠٧٠ - ٣٣٣٥٠٩٨١
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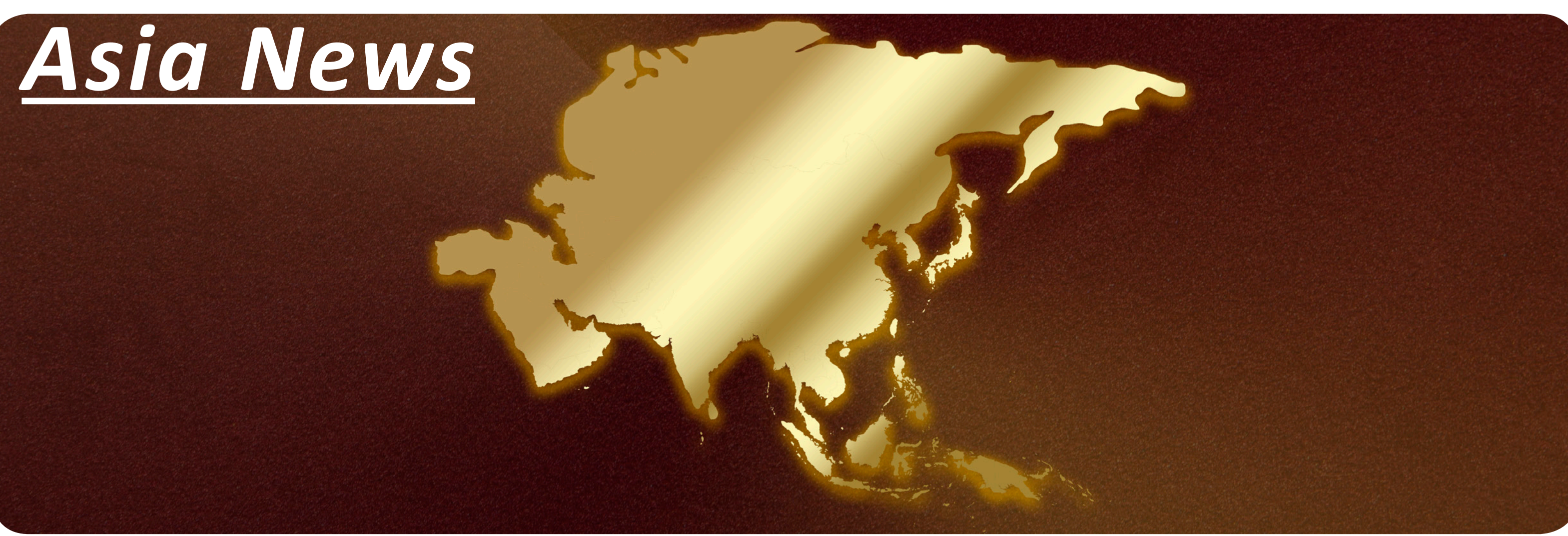


• *Insurance Regulation in Asia Pacific 2023*

This guide (49 pages) provides an overview and practical checklist of ten common regulatory issues for insurance companies in 20 countries:

Australia - p 06
Cambodia - p 07
China - p 10
Hong Kong - p 12
India - p 16
Indonesia - p 22
Japan - p 24
Macau - p 26
Malaysia - p 30
Mongolia - p 32
Myanmar - p 34
New Zealand - p 36
Papua New Guinea - p 40
The Philippines - p 42
Singapore - p 44
South Korea - p 46
Sri Lanka - p 48
Taiwan - p 50
Thailand - p 52
Vietnam - p 54

Read/Download

The purpose of this guide is to provide an overview and practical checklist of ten common regulatory issues for insurance companies upon which we frequently are asked to advise for the key Asia Pacific jurisdictions where most of our clients operate or into which they are interested in expanding.

It identifies the regulator and whether branches of foreign insurance companies are permitted or only locally incorporated companies. Any restriction on foreign direct investment is highlighted along with the controller regimes (shareholders and management) and whether a notification or approval from the regulator is required upon proposed or actual change of control and the thresholds thereof.

Also addressed is the nature of the regulatory capital regime, whether there is group supervision and policyholder protection, and whether outsourcing is subject to regulatory oversight. We aim for this guide to be a useful first stop for generic advice on the topics covered.

The information is up to date as at January 1, 2023. It is not a substitute for considered legal advice.

• *Asia-Pacific Insurance Risk/Reward Index*

Key View:

Asia-Pacific is the second best-performing region in our Insurance Risk/Reward Indices, behind the Developed Markets region, with an average of 53.8 (out of a possible 100). Asia-Pacific also performs well in the Rewards component, placing second with an average score of 51.0. For its Risk component, the region continues to surpass Latin America & Caribbean and Emerging Europe and places in second position with a score of 60.5. Although lingering effects of the Covid-19 pandemic have the potential to affect scores in the short term, its impact remains limited for our Insurance RRI as long-term market performance and openness are taken into account.

In Q223, Singapore and Hong Kong, China remain in first and second place with respective scores of 80.5 and 76.1. Hong Kong has dropped to third place in the Rewards component, behind Singapore and South Korea.

Overall, East Asia performs well in the index, with South Korea; Taiwan, China; Japan and Mainland China appearing in the top 10. Mongolia and Macao, China continue to be exceptions for East Asia, with both markets residing in the lower half of the index.

South East Asia's performance is more mixed. Regional outlier Singapore continues to top the Insurance Risk/Reward Index (RRI) as well as our Rewards component. With a Risks score of 84.3, Singapore now places second in this component, alongside New Zealand and below Australia. Thailand places in eighth position in the Risks component with a score of 63.1, and Malaysia is in 10th position with a score of 66.7.

The Philippines, Indonesia, Vietnam and Cambodia still reside in the lower half of the index, with Malaysia just retaining a top 10 position with a score of 59.7 for the RRI.

At the foot end of the index, Sri Lanka remains in the bottom six owing to a weaker Rewards profile. The country joins Mongolia, Fiji, Pakistan, Bangladesh and Cambodia as the RRI's lowest scorers, which present the most risk to the market and potential investors.

Cambodia retains the lowest score in our RRI and particularly struggles in the Industry Rewards Life sub-component, where it continues to score zero. In contrast, Hong Kong heads this sub-component with a score of 92.5, reflecting its mature life market and strong regulatory practices.

The Insurance RRI considers the current state and long-term potential of the non-life and the life segments. It also assesses how open each segment is to new entrants and economic conditions. Collectively, these measures enable an objective review of the limits to potential returns across all markets, and over a period of time. The scores also focus on the risks to the realization of returns, which is based on our proprietary Country Risk Index. It also embodies a subjective assessment of the impact of the regulatory regime on the development and competitive landscape of the insurance sector.

ASIA-PACIFIC INSURANCE RISK/REWARD INDEX

	Industry Rewards	Industry Rewards Non-Life	Industry Rewards Life	Country Rewards	Rewards	Industry Risk	Country Risks	Risks	Insurance Risk/ Reward Score	Rank
Singapore	83.75	75.00	92.50	71.62	78.90	95.00	77.11	84.27	80.51	1
Hong Kong, China	76.25	60.00	92.50	71.28	74.26	100.00	67.47	80.48	76.13	2
South Korea	83.75	82.50	85.00	63.16	75.51	60.00	78.25	70.95	74.15	3
Taiwan, China	78.75	75.00	82.50	59.71	71.13	70.00	75.62	73.37	71.81	4
Australia	67.50	82.50	52.50	62.08	65.33	90.00	83.97	86.38	71.65	5
Japan	77.50	72.50	82.50	53.57	67.93	65.00	81.12	74.67	69.95	6
New Zealand	52.50	60.00	45.00	67.66	58.56	90.00	80.45	84.27	66.27	7
Thailand	62.50	57.50	67.50	53.35	58.84	70.00	58.44	63.07	60.11	8
Mainland China	72.50	70.00	75.00	43.49	60.90	55.00	60.30	58.18	60.08	9
Malaysia	53.75	47.50	60.00	61.06	56.68	75.00	61.20	66.72	59.69	10
India	65.00	60.00	70.00	42.99	56.20	45.00	64.31	56.59	56.31	11
Macao, China	38.75	22.50	55.00	64.27	48.96	65.00	55.67	59.40	52.09	12
Philippines	46.25	40.00	52.50	46.40	46.31	75.00	56.21	63.72	51.53	13
Indonesia	48.75	42.50	55.00	47.68	48.32	55.00	57.12	56.27	50.71	14
Vietnam	43.75	35.00	52.50	42.53	43.26	55.00	50.14	52.08	45.91	15
Sri Lanka	21.25	20.00	22.50	40.16	28.82	45.00	45.47	45.28	33.75	16
Mongolia	11.25	15.00	7.50	48.56	26.17	40.00	53.45	48.07	32.74	17
Fiji	18.75	20.00	17.50	42.28	28.16	50.00	33.30	39.98	31.71	18
Pakistan	20.00	15.00	25.00	39.23	27.69	40.00	35.09	37.05	30.50	19
Bangladesh	21.25	22.50	20.00	36.93	27.52	20.00	45.40	35.24	29.84	20
Cambodia	7.50	15.00	0.00	41.96	21.28	40.00	30.90	34.54	25.26	21
Regional Average	50.06	47.14	52.98	52.38	50.99	61.90	59.57	60.50	53.84	

Note: May include territories, special administrative regions, provinces and autonomous regions.
Scores out of 100; higher score = lower risk.

Source: Fitch Solutions

■

Source: Fitch Solutions Country Risk & Industry Research – February 2023

GCC

• *Market Segment Outlook*

AM Best is maintaining its Stable market segment outlook for the insurance markets of the Gulf Cooperation Council (GCC)–comprising Bahrain, Kuwait, Oman, Qatar, the Kingdom of Saudi Arabia (KSA) and the United Arab Emirates (UAE).

The maintenance of the Stable outlook reflects the GCC insurance market's solid footing entering 2023; however, the weight of headwinds facing the market is increasing.

Among the positive factors are the following:

- Regional resilience to challenging global macroeconomic conditions as buoyant oil prices contribute to continued fiscal surplus across the region
- Opportunities for continued insurance sector growth, as economies strengthen, new insurable risks enter the market and product offerings diversify through the enforcement of mandatory insurance covers
- Resilient investment returns despite global investment market volatility
- Merger and acquisition (M&A) activity becoming a prominent feature of the GCC market and has the potential to improve market profitability and reduce price competition over the longer term
- Tightening regulatory scrutiny—and enhanced market oversight and intervention—leading to a growing focus on risk management amid positive steps to improve governance and market discipline

Near-term headwinds for the segment include:

- Intense competition driving pricing pressure and threatening margins
- Supply chain disruptions and increasing inflationary pressures—principally in the form of claims inflation—present challenges to future profit margins
- Hardening reinsurance market conditions may impact business models and margins for those with high reinsurance utilisation
- Increasing incidences of weather-related losses, particularly from flood events, continue to test insurers' risk management capabilities. Although AM Best notes exposure is not homogenous across the region, the increased frequency and severity of events threatens underwriting margins
- IFRS 17 implementation remains a challenge due to reliance upon regulatory bodies and third-party consultants

Economic Resilience Fuelled by Oil Prices

Despite current global macroeconomic headwinds, AM Best considers the GCC to be well placed to weather this economic uncertainty. In general, the region has entered 2023 with fiscal surpluses thanks in a large part to the buoyant oil price environment of 2022.

Most members of the GCC are heavily reliant on hydrocarbon activity to support economic growth and fiscal spending power. Fuelled by the post-pandemic recovery and Russia's invasion of Ukraine, the price of Brent Crude exceeded USD 80 per barrel for much of 2022, and at times reached highs of more than USD 120 per barrel. This provided economic relief to the region and supported gross domestic product (GDP) recovery to pre-pandemic levels.

The International Monetary Fund (IMF) estimates GCC current account surpluses to have reached 9.7% of GDP in 2022. Despite a steady decline in oil prices since the highs of 2022, the IMF projects these surpluses will remain at 7.8% of GDP for 2023.

With global geopolitical tensions weighing on supply and demand, economies of the GCC are expected to benefit from continued buoyant oil prices during 2023. As at February 2023, the per-barrel price of oil largely exceeded the estimated fiscal breakeven points of the GCC members. In AM Best's view, increased economic activity and greater governmental fiscal manoeuvrability are positives for the region's insurance markets.

However, AM Best also notes that the member states of the GCC, and the insurers that operate in them, will need to adapt and manage the transition risk presented by global commitments to reduce dependence on petrochemicals and the diversification of economic revenue streams to non-hydrocarbon sources.

While the economic transition is a longer-term consideration, the diversification of fiscal revenues presents near-term operational considerations for insurers. In attempts to reduce the fiscal reliance on hydrocarbons, more countries in the region have begun establishing new revenue streams including the introduction of Value Added Tax (VAT) and corporation taxes.

Insurance Sector Growth Supports Continued Opportunity

AM Best expects resilient economic fundamentals to directly contribute to the demand for insurance products in the near term. Fiscal manoeuvrability linked to the strong oil price environment is expected to support public spending—notably on infrastructure projects—providing premium growth opportunities for insurers in the GCC. A substantial proportion of commercial property and engineering risks underwritten in the GCC is linked to government-backed initiatives.

Furthermore, the implementation and development of mandatory insurance schemes in several markets across the GCC should improve near-term premium growth. In the UAE, repeated collaboration between the insurance industry and government has resulted in the development of innovative mandatory insurance products, creating opportunities for insurers in that market.

Following the roll out of the Workers' Protection Program in the UAE in 2018, 2023 will see the launch of the mandatory cover for the Involuntary Loss of Employment (ILOE) scheme. Oman, Qatar and Bahrain are also planning to unveil long-awaited compulsory medical schemes.

Longer-term, growth may emerge from expanding product offerings, alongside initiatives to boost insurance penetration and support economic development. Additionally, the commitments of the region's oil-exporting countries to reduce dependence on petrochemicals and create economic diversification are expected to channel higher levels of fiscal expenditure into sustainable and other infrastructure projects, providing opportunities for the region's insurance market to support this transition.

Heightened M&A Activity Likely to Continue

M&A activity is heating up across the insurance markets of the GCC for both conventional and takaful players. A significant driver for this activity is the inorganic growth opportunity it brings to increase market footprint, generate economies of scale and/or diversify geographical reach. Increased regulatory requirements, rising operating costs, and competitive pressures, as well as a scarcity of insurance licences available in the region are also contributing to heightened activity.

Consolidation has affected the composition of the insurance markets in KSA, the UAE and Oman. AM Best expects such activity to continue during 2023. GCC insurance markets are characterised by their fragmented and highly competitive nature, with a high number of insurers vying for limited available insurance premiums.

In AM Best's view, further insurance market consolidation is a tailwind for the GCC's insurance markets, potentially improving market profitability and reducing price competition. Successful execution of transactions should provide the acquirers with greater operational scale, enhanced market positions, larger balance sheets and more resilient capital buffers. However, extensive re-underwriting of acquired portfolios may be required before potential performance benefits can be realised.

Investment Strategies Introduce Volatility but Favour Current Conditions

Investment market volatility has affected GCC insurers less significantly than peers in other parts of the world, thanks to the region's economic resilience. For example, the regional S&P Composite Index posted a fall of only 7% for 2022, in contrast to the double-digit drawdowns observed in many other markets over the same period.

The balance sheets of the region's insurers typically carry significant asset risk, with many regional insurers holding a greater proportion of equity and real estate assets than developed market counterparts.

However, current market conditions have allowed companies to take advantage of rallying regional equity markets, the result of strong oil prices. Concurrently, with a lower investment allocation to fixed income securities, many GCC insurers will see a more modest impact to capital from unrealised losses due to rises in interest rates compared to their global counterparts.

Nevertheless, the region remains sensitive to the potential for future earnings volatility from this higher-risk investment strategy, and the investment market outlook will be sensitive to future fluctuations in oil prices over 2023. The majority of currencies in the region are pegged to the US dollar, creating a dependence on the monetary policy decisions taken by the US Federal Reserve.

Inflationary Impacts Are Unavoidable

The GCC is not immune from inflationary pressures – although its experience so far has been less severe than for other regions. Recent International Monetary Fund (IMF) estimates peg inflation rates for the GCC at an estimated 3.6% for 2022 and 2.6% for 2023; comparatively lower than the global estimates of 8.9% and 6.6% for 2022 and 2023, respectively.

Despite energy price reform initiatives across the region in recent years, several GCC countries continue to subsidise fuel and energy costs in the domestic market, reducing the contribution of oil price fluctuations to regional inflation rates. Nevertheless, supply chain disruptions and increased importation costs for agriculture and food products are expected to drive inflation in the GCC.

For the region's insurers, claims inflation presents a pressing risk, impacting the region's core lines of business—motor and medical. Spare part costs and supply chain disruptions leave insurers

vulnerable to mounting claims costs. Insurers will need to remain nimble and disciplined in their premium and reserve adjustments to ensure loss cost inflation is adequately covered by premium rates and does not impinge on already thinning underwriting margins.

Competition-Led Pricing Pressures Persist

The highly fragmented insurance markets of the GCC fuel widespread competition for limited insurance premiums. Topline growth is often at the forefront of business strategies, particularly for the most competitive lines—motor and medical—which make up the majority of net written premium in the region, and which have seen pricing compromised. Underwriting margins have become vulnerable to the post-pandemic normalisation of claims patterns and growing claims inflation.

The question of premium rate adequacy has been a concern in the GCC's insurance markets for some time, and while this has attracted the attention of regulators, it continues to impede market performance.

Certain regulators have taken steps to address price adequacy in recent years and to reduce the level of discounting offered in return for customer retention, issuing guidance circulars and formalising conditions as to when discounts can be granted.

In general, AM Best has observed improvements in insurers' pricing tools following these regulatory developments. However, without strict enforcement of—and adherence to—these requirements and/or the maintenance of underwriting discipline, competitive pressures will continue to intensify pricing concerns.

Hardening Reinsurance Markets Prompt Questions About Strategies

Recent global renewal seasons have brought notable changes to reinsurance market conditions, with changes to capital deployment, rate rises and attachment points all at the forefront of discussions.

Insurers in the region are heavily reliant on reinsurance capacity to support participation on large-scale government-related contracts, mainly for commercial property and engineering projects. With insufficient capital to support these risks independently, GCC insurers typically cede a sizeable proportion of premiums to the international reinsurance market. For many insurers in the region, inwards reinsurance commissions from these reinsurance placements form a substantial component of underwriting profitability.

The impact and repercussions of hard reinsurance market conditions may disrupt business models for those heavily dependent on reinsurance support. Insurers' participation on large-scale risks will be dependent on the continued availability of capacity at an acceptable price. In addition, underwriting margins may face negative pressure as ceding commissions from reinsurers come under pressure. In AM Best's view, this will be most pronounced for those insurers who have struggled to cede profitable business over time.

In the coming years, insurers in the region may also begin to face challenges in securing reinsurance capacity if reinsurance partners reduce their appetite for conventional energy risks due to ESG considerations.

Uncertainty Remains Over IFRS 17

The successful implementation of IFRS 17 poses a headwind to insurers operating in the GCC who report under International Financial Reporting Standards over 2023. AM Best has observed varied

levels of preparedness across the GCC ahead of the standard's January 2023 implementation date, with companies operating in the region's more mature regulatory environments demonstrating greater readiness for IFRS 17. For example, in KSA, three dry runs under IFRS 17 had been conducted before the end of 2022, of which one required auditing.

A key risk for the region is the reliance upon regulatory bodies and third-party consultants to drive IFRS 17 development and implementation projects, concentrating knowledge and experience outside of the operating insurers. This creates a potential disconnect between internal management engagement and external consultant experience on the subject.

AM Best expects the transition and implementation of IFRS 17 to continue to weigh on management time and insurers' operating expense ratios over 2023. Those insurers with robust transition plans and enterprise risk management processes are viewed as better placed to successfully manage implementation. ■

Source: Market Segment Report: Market Segment Outlook: Gulf Cooperation Council– by AM Best, 6 March 2023

INDIA

• *Insurance Market Developments*

by Venkatesh Raman Prasad, Ronak Ajmera and Ankita Jain (JSA Prism *)

Insurance Sector: Key Takeaways from the Economic Survey and Budget

Ahead of announcing the Union Budget for the financial year 2023-24 (Budget) on February 1, 2023, the Government of India tabled the Economic Survey 2022-23 (Economic Survey) on January 31, 2023 which summarizes key initiatives taken by the Government and regulators in various sectors, assesses the growth and presents its outlook for various sectors including the Indian insurance market. The Budget also identified the financial sector as a priority and made a few key announcements which are bound to impact the insurance sector as well. The Indian insurance sector is at an inflexion point and is expected to be one of the main drivers of global insurance industry growth over the next decade. Further regulatory changes to facilitate ease of doing business coupled with greater operational flexibility sought to be provided by the regulator would provide a further impetus to the fast-growing Indian insurance market which is poised to become the sixth largest by 2032. Summarised below are some key points under the Economic Survey and the Budget concerning the Indian insurance sector:

1. Overview of the Indian insurance market.

a. India is poised to emerge as one of the fastest growing insurance markets in the world. While presently the Indian insurance market is the 10th (tenth) largest in the world, it is poised to become the 6th (sixth) largest by 2032 (ahead of Germany, Canada, Italy, and South Korea).

b. The Economic Survey notes that insurance penetration1 in India has been steadily increasing. While this was 2.7% around the turn of the millennium, this stood at 4.2% in 2020 and 2021. The insurance penetration in the life insurance sector was 3.2% in 2021, which was nearly twice more than emerging markets and slightly above the global average.

c. The gross direct premium of non-life insurers and life insurers witnessed a YoY growth of 10.8% and 10.2%, respectively, in FY22.

d. Various financial inclusion initiatives and schemes launched by the Government have driven insurance adoption and penetration across all segments. Some of the key programmes / schemes are (i) the Ayushman Bharat Yojana (to provide health coverage to poor

(*) JSA is a trusted advisor to leading insurers, reinsurers, brokers, underwriters and consultants on complex transactions, disputes, financing and regulatory and commercial matters. The team with domain-expertise in the sector has an unparalleled ability to assist insurance companies in their Indian operations. JSA has been engaged in advising the private players both in life and non-life Insurance sectors on diverse matters relating to regulatory approvals, compliances, corporate issues, and litigation relating to insurance claims. JSA has been keenly involved in advising private players both in life and non-life insurance sectors on diverse matters relating to: (a) Regulatory approvals; (b) Compliance requirements; (c) Corporate issues; (d) Litigation relating to insurance claims.

and vulnerable families), (ii) the Pradhan Mantri Jeevan Jyoti Bima Yojana (to provide risk coverage in case of death), (iii) the Pradhan Mantri Suraksha Bima Yojana (to provide risk coverage for accidental death and disability), and (iv) the Pradhan Mantri Fasal Bima Yojana (to provide risk coverage against crop damage due to non-preventable natural risks), which is the largest crop insurance scheme in the world.

2. Regulatory landscape & Initiatives.

The Economic Survey makes a note of the mission taken up by Insurance Regulatory and Development Authority of India ("IRDAI"), the Indian insurance regulator, to achieve 'Insurance for All' by 2047 (i.e., the 100th (one hundredth) year of India's independence), which is expected to lead to a significant increase in insurance penetration. To this end, IRDAI has taken several initiatives to promote healthy growth of insurance industry, rationalise the regulatory framework and reduce compliance burden. Additionally, the Government has also undertaken measures to facilitate additional foreign direct investment ("FDI") in insurance. Certain key initiatives are as summarised below:

a. FDI ceiling in the insurance sector was raised from 49% to 74% under the automatic route. Additionally, 100% FDI has been permitted in insurance intermediaries, including insurance brokers, reinsurance brokers, insurance consultants, etc. Further, 20% foreign investment has been allowed in Life Insurance Corporation ("LIC") under the automatic route. Digitization of the India's insurance market accompanied by an increase in FDI limits are expected to increased flow of long-term capital, global technology and international best practices, which would in turn support growth of the sector.

b. IRDAI has announced several regulatory changes and initiatives in FY 23 to promote growth of the insurance industry. These focus on changes to facilitate ease of doing business, reduce compliance burden as well as measures as per evolving needs of the sector, including tech-based add-ons and other innovative products. IRDAI has also taken measures to facilitate video-based know-your-customer processes, launch a single window no objection certificate (NOC) portal to facilitate incorporation of an insurer, rationalise various returns / filings and do away with approval requirements for launch of certain insurance products. Also, with the sector reaching a level of maturity, IRDAI is considering offering more flexibility to regulated entities in business / operational decisions.

3. M&A activity, public listings in Insurance.

a. The Economic Survey recognizes that India is already witnessing mergers and acquisition (M&A) activity in the insurance space, which would only be further accelerated by additional FDI inflow, initial public offerings (IPO) and a simplified regulatory regime.

b. The enactment of General Insurance Business (Nationalisation) Amendment Act, 2021 would allow the Central Government to pare its stake to less than 51% equity capital in a specified insurer.

c. In May 2022, the Central Government diluted its stake in LIC and the IPO of LIC raising USD 2,700,000,000 (Indian Rupees two billion seven hundred million) was India's largest IPO to date. Various private insurers

have also been publicly listed, which in turns would improve public disclosure, corporate governance and valuation.

4. Budget Snapshot.

The Budget speech of the Hon'ble Finance Minister noted the Government's vision for 'Amrit Kaal' which includes a technology-driven and knowledge-based economy with a robust financial sector. Further, the Budget also identified the financial sector as a priority and made a few key announcements which are bound to impact the insurance sector as well:

a. Public consultation would be brought to the process of regulation making and issuing of subsidiary directions;

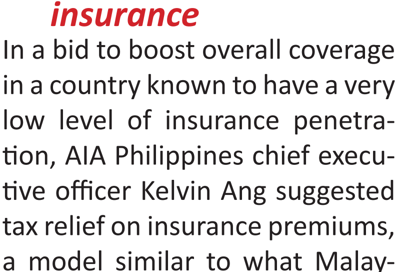
b. Regulators would be requested to carry out a comprehensive review of existing regulations factoring in suggestions from the public and regulated entities;

c. Time limits would be laid down to decide upon applications under various regulations.

The Indian insurance sector is at an inflexion point and is expected to be one of the main drivers of global insurance industry growth over the next decade. Further regulatory changes to facilitate ease of doing business pursuant to the Budget announcements coupled with greater operational flexibility sought to be provided by IRDAI would only provide a further impetus to the fast growing Indian insurance market.

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

Source: Mondaq - 16 February 2023



PHILIPPINES

• AIA Philippines eyes tax rebates on insurance

In a bid to boost overall coverage in a country known to have a very low level of insurance penetration, AIA Philippines chief executive officer Kelvin Ang suggested tax relief on insurance premiums, a model similar to what Malaysia is currently implementing, wherein a rebate is provided to yearly premiums.

During the launch of AIA Investment Management and Trust Corp. Philippines, Ang noted that there has been an increase in demand for insurance in the country over the past five years, compounded by the global pandemic that affected its economy in 2020. A rise of 60% has been recorded in terms of the numbers insured in the country, a figure that could still rise given added awareness.

"The macro structure of the country will support the growth"

"I believe that insurance protection, healthcare or long-term care will continue to outrun the GDP (gross domestic product)," Ang said in a statement. "Also the demographic dividend, we have more young people. The macro structure of the country will support the growth."

Despite noting an overall improvement in terms of insurance coverage within the country, this number still remains relatively low compared to its neighbours in Asia. Ang said that it would take a lot of work to increase the penetration, with financial literacy an important factor in order for the rate to eventually grow.

Insurance penetration in the Philippines is at around 2% of the GDP. To tackle this figure, Ang said that the government should consider tax relief on insurance premiums, but it has encountered setbacks.

"We have suggested it already, we continue to lobby for this, but with the BIR (Bureau of Internal Revenue), it takes time," Ang said. "It has not moved, it's a big country and there are many priorities. And insurance doesn't normally get the high priority."

If it ever gets seriously considered, such tax relief will need legislation to be executed by the BIR.

January saw the appointment of a new BPI AIA CEO in the Philippines as Karen Custodia officially took the post. BPI AIA is a bancassurance joint venture between the Bank of the Philippine Islands (BPI) and pan-Asian insurer AIA.■

Source: Insurance Business Asia - 25 Feb 2023

OMAN

• Decennial Liability Insurance in the Omani Law

by Ali Al Rashdi (Muscat) - Sariya Al Hadi & Ali Al Rashdi & Co.

The Omani Law impose upon contractors and architects/engineers (referred to as "engineers" hereafter) to guarantee the design and construction works they implemented for ten years. The provisions related to the decennial liability insurance determine as a public order as stated in article 636 of the Civile Transaction Law No. 29/2013 which says: "Any clause that exempts the contractor or the engineer from the liability or limits such liability shall be void." As a result, the law prohibits agreeing on exemption or limitation of the decennial liability.

Also, it is an assumed responsibility, meaning the employer is not required to prove the fault of the contractor or engineers as long as the total or partial collapse or defect affecting the stability or safety of the building or fixed installation has occurred.

This article will explain the legal articles that governed the decennial liability insurance, the responsible and beneficial parties, and the conditions to implement the decennial liability.

Legislation Relevant to Decennial Liability Insurance

The Omani legislator regulated the decennial liability in two articles, Article 634 of the Civil Transactions Law No. 29 of 2013 promulgated on May 6, 2013, which reads:

"**(1)** Both the engineer and the contractor shall be jointly liable for a period of ten years for any total or partial collapse of the buildings or other fixed facilities constructed thereby, and for any defect which threatens the stability or safety of the building, unless the contract specifies a longer period. The above shall apply unless the contracting parties intend that such installations should remain in place for a period of less than ten years.

(2) The warranty set forth in the foregoing Article shall include any defects existing in the buildings and facilities, which endanger the safety and endurance of building.

(3) The period of ten years shall commence as from the time of delivery of the work."

Also, the decennial liability is stipulated in the article 22 of the Law on the Regulation of Engineering Consulting Firms No. 27 of 2016 promulgated on May 12, 2016, which reads as follows:

"The licensed designer or supervisor of implementation shall be liable, jointly with the contractor, for any mistakes or defects in the projects designed by him or implemented under his supervision, even if the defect is due to the land on which the project is built or if the employer authorised the establishment of defective enterprises, for a period of (10) ten years from the date of taking over of such enterprises.

If the work of the office was limited to the design without being assigned to supervise the implementation, it shall not be liable Oman Sultani Decree No. 27/2016 On the Issuance of the Law Regulating the Work of Consulting Engineering Offices

If the work of the office was limited to the design without being assigned to supervise the implementation, it shall not be liable for the defects resulting from the design. Any agreement or condition intended to exempt or reduce the guarantee shall be considered void.

The liability lawsuit shall be forfeited after (3) three years from the date of detection of the error, defect or violation, without taking actions of filing the said lawsuit."

The Parties Responsible for The Decennial Liability

The contractor and the engineers are liable for the decennial liability according to their contribution to the works, and the court may decide that either one of them is liable or apportion liability equally in case it is not possible to determine the contribution of each of them. It is noteworthy that, although the law is silent regarding the engineers participate in designing or consulting without havening a certificate or a license from the authority, Al Sanhoury believes that the engineer shall be liable, for ten 10 years, for the defects as long as the engineer is proved to be practicing the architect's assignment.

Also, the buyers may sue the developers in respect of defects based on the decennial liability provisions. Therefore, in the jointly owned properties, developers are liable to remedy defects in structural elements for a period of ten years from the date of completion.

Who Does Decennial Liability Benefit?

The employer mainly benefits from the decennial liability insurance as the party engaged the contractor and the engineer to carry out the construction work. However, the employer in the subcontract does not benefit from decennial insurance; instead, the employer can sue the subcontractor for any defects within the period fixed by the customs of the profession.

The singular successor of the owner of the building, such as the buyer, the heir and the assignee, can also benefit from the decennial insurance as they shall have a right of recourse against the contractor or the engineer with respect to the decennial liability if a defect that threatens the safety or durability of the building appears within ten years.

Although there is no explicit provision in the clauses of the construction contract determining that the singular successor will benefit from the said insurance, such benefit is established under the text of the article 160 of the Civil Transactions Law, which reads as follows: ".The effects of the contract shall extend to the contracting parties and their general successors without prejudice to the rules relating to inheritance unless it appears from the contract or from the nature of the transaction or from the provisions of the Law that the effects were not to extend to a general successor".

The Conditions For The Realization of The Decennial Liability Insurance

Articles 634 and 637 of the Civil Transactions Law contained substantive and formal conditions for the application of the decennial liability insurance, which are:

1. Contracting for the construction of fixed structures

Article (634/1) requires applying for the decennial liability insurance, that the object of the contract must be the construction of fixed structures. Therefore, the decennial liability cannot be obtained in respect of repair and decoration works, nor does it apply to the construction of structures that can be dismantled, installed and easily moved from one place to another.

In its judgment rendered in case number 24/99 on December 21, 1999, the Commercial Court ruled that the decennial liability insurance shall not apply if the defect is in the paint, tiles or doors or in other parts of the building so that it would not threaten the integrity or durability of the building. The Authority decided that a short insurance period determined by the customs of the industry shall apply to this type of defects.

2. The collapse of the construction or the presence of a defect that threatens its soundness and safety

The accused may seek judicial assistance to appoint a lawyer, however reasons must be provided to justify the request.

Is a plea agreement in exchange for closing the case with the prosecution a good choice?
We recommend taking advice from a criminal lawyer before making any plea agreement to obtain a settlement with the prosecution, because there are crimes that cannot be reconciled with the prosecution.

There is a distinction between construction defects and non-conformance of the work with the specifications. The decennial insurance covers the defects that threaten the durability of the building or make the construction unfit for its intended purpose. However, if the structure is distinct from the design, this shall not be subject to the decennial liability insurance as long as the construction meets the intended purpose. However, the employer can claim compensation from the contractor and the engineer based on the contractual liability if its conditions are met; for example, the employer can be compensated for the difference in the cost of the materials paid to the contractor for works not carried out.

3. Period of Decennial Liability

The liability lasts for ten years, commence from the time of delivery of the works and three years to file a decennial liability suit calculated from the occurrence of the collapse or the discovery of the defect, based on Articles 634 and 637 of the Civil Transactions Law and Article 22 of the Law on the Regulation of Engineering Consulting Offices.

In practice, there is no challenge in establishing the time of the demolition and the discovery of the defect, as it is a material fact that can be proven by all means of proof. However, there are obstacles in determining the entry into force of the decennial liability period, particularly in the case of a phased delivery or delivery of the project in temporary and final stages, in the absence of an explicit agreement. The same challenges arise regarding the defects whose effects worsen over time and repair some flaws during the warranty period. Is a new period shall be calculated for the employer to ensure that the repair work of those defects is well carried out? These issues have no explicit legal provision, and they will be further complicated if the contract does not regulate them.

Conclusion

The provisions related to decennial liability determine as a public order matter; therefore, it is not permissible for the parties to the contract to agree otherwise than these provisions. The courts concluded that the employer is exempt from the burden of proof the fault of both the contractor and engineer independently; it is sufficient only to prove the existence of defects in the construction that threaten its safety and integrity. On the other hand, the employer or any other beneficiary from the decennial liability must file a claim within a specified amount of time. ■

Source: Mondaq - 20 February 2023

SAUDI ARABIA

• Saudi Central Bank: Insurance Sector Adopts IFRS 17 And IFRS 9

Eight new insurance companies The Saudi Central Bank (SAMA) announces the formal adoption of International Financial Reporting Standard-IFRS 17 Insurance Contracts and International Financial Reporting Standard-IFRS 9 Financial Instruments by the Saudi insurance sector. Implementation started on 1 January 2023, in line with the implementation date set by the International Accounting Standards Board (IASB).

In addition, SAMA stated that IFRS 17 issued by the IASB in May 2017 will supersede IFRS 4 Insurance Contracts issued in 2004. The features of the new Standard include standardization of the accounting measurement models for insurance and/or reinsurance companies around the world; consistent comparison and analysis of results; and provision of accurate, transparent and high quality data for financial statements compared to the previous Standard.

SAMA attached huge importance to a seamless and highly effective adoption of the IFRS 17 in Saudi Arabia, as a member of the G20. Therefore, SAMA rolled out a transition plan with four phases in 2018.

Moreover, SAMA stated that the adoption of IFRS 17 contributed to introducing new elements in the insurance industry, improving human and technological resources, enhancing transparency of reporting, and fostering regulator-sector relationship. SAMA pointed out that it is expected that the effort it exerted together with insurance companies during the last four years will go a long way in enabling the Saudi insurance sector to meet the objectives of Saudi Vision 2030.

In conjunction with IFRS 17 implementation, SAMA announced the adoption of IFRS 9 Financial Instruments by the insurance sector starting on 1 January 2023. IFRS 9 was issued by the IASB to supersede the International Accounting Standard-IAS 39 Financial Instruments.

Similar to IFRS 17 transition plan, SAMA developed an IFRS 9 transition plan with two phases. Both phases were completed successfully by the Saudi insurance sector.

In conclusion, the adoption of IFRS 17 and IFRS 9 is an important achievement of the Saudi insurance sector. It is worth noting that Saudi Arabia is one of the first countries globally to adopt these two Standards. ■

Source: The Saudi Central Bank (SAMA) – 31 January 2023

• Saudi Central Bank Announces Licensing First Foreign Insurance Company Branch in Saudi Arabia

The Saudi Central Bank (SAMA) announces the licensing of Cigna Worldwide Insurance Company; the first foreign health insurance company branch in Saudi Arabia.

The licensing of new foreign branch aims to fulfill the objectives of the “Rules for Licensing and Supervision of Branches of Foreign Insurance and/ or Reinsurance Companies in Saudi Arabia”. It also comes as part of SAMA’s role in supporting financial stability and contributing to the national economic growth towards achieving the objectives of Saudi Vision 2030.

SAMA stated that this falls under SAMA's initiatives to encourage foreign direct investments to increase competitiveness of the sector and utilize potentials of the Saudi economy. Additionally, enabling new international entrants will enhance the quality of provided services, increase diversification of investors and introduce unique business models to the market.

SAMA reaffirms its ongoing efforts to support financial sector as a whole, raise the level of effectiveness and flexibility of financial transactions and encourage innovation in financial services. Consequently, enhancing the level of financial inclusion in Saudi Arabia and providing access to financial services by all segments of society.

SAMA stresses the importance of exclusively dealing with licensed and authorized financial institutions. To verify the licensed financial institutions, please visit SAMA's official website. ■

Source: The Saudi Central Bank (SAMA) – 6 February 2023

- ***Earthquake resistance mandatory for all new Saudi residential buildings***

The ministry said it is keen to ensure and enforce the construction of quake-resistant, sustainable and safer buildings

Saudi Arabia's Municipal, Rural Affairs and Housing Ministry has announced that all new residential buildings across the Kingdom will only receive approval if they include earthquake resistant designs.

The new instructions were issued by the ministry to its affiliated agencies and engineering offices for new residential buildings in various regions and governorates across the country, it has been reported.

The ministry said it is keen to ensure and enforce the construction of quake-resistant, sustainable and safer buildings, adding that the move is in line with the implementation of the Saudi Building Code and its amendment through two royal decrees.

Moreover, the ministry has now included these specific amendments for earthquake resistance within the new Saudi Building Code Application Law.

Typically, the phrase 'earthquake resistance design' has referred to the use of a stronger core framework for the building – extending vertically and horizontally from floor-to-floor, as well as deeper and stronger foundations on any property exceeding four floors in height.

The more advanced use of insulated foundations, 'floating' in a gimble-type design, is typically only used for skyscrapers, but there is ongoing debate in the Kingdom – and elsewhere in the GCC – that it should become mandatory for all new properties with a height exceeding 150m. ■

ME Construction News - 1 March 2023

SOUTH KOREA

• Korean insurers set for higher profits under new accounting rule

by Kenneth Araullo

Thanks to a new accounting rule, shares of Korean insurance companies are on the rise due to expectations of higher profits and reassessed corporate value. The new accounting rule is the International Financial Reporting Standard 17 (IFRS17), which will be implemented this year.

Sunday saw the KRX Insurance Index rise by 6.91% this year. Among individual insurers, Hyundai Marine & Fire Insurance posted the highest growth at 18.68%, followed by DB Insurance at 13.17%, Lotte Insurance at 12.37%, and Samsung Fire & Marine Insurance at 6.75%.

Investors from abroad are also starting to take notice, purchasing a net KR₩31.6 billion ($24 million) in Hyundai Marine this year. Topping the rest of the investors' buying list are Samsung Life Insurance at KR₩142.1 billion, Samsung Fire at KR₩82.5 billion, and DB Insurance at KR₩21.8 billion.

Liability based on market value

The new accounting standard will take insurance liability with evaluations based on market value as opposed to cost, which was what the previous standard implemented. Large insurers in the country are now able to introduce contractual service margin, under which profit generated from insurance profits can be reflected as profit. According to the report, with the implementation of this standard, if a profit of KR₩1 million can be generated from cancer insurance over a 10-year period, then that profit can be recognized as KR₩100,000 per year.

While insurers may experience fluctuations in performance with savings-type products due to market value evaluation, the resulting margin can be a positive factor in increasing net profits. Property and casualty (P&C) insurers may also benefit more from these changes as they offer more guaranteed product than those sold by life insurers.

Shinhan Investment analyst Lim Hee-yeon said that evaluation of the corporate value of insurers combines margin and capital as the intrinsic value (EV) concept as opposed to the price-to-book ratio. When this new IFRS17 standard is applied to the after-tax insurance operating profit of five companies calculated last year, it was found that they generated KR₩4.6 trillion, a figure which represented 99% of the net profit generated under the previous standard.

Lim further explained that taking into consideration that investment operating profit should be included, the profit increase due to the system change is likely to be even greater. Shinhan Investment predicts an average growth between seven and ten percent annually over the next five years for insurers' operating income.

The new accounting standard is also expected to bring benefits to investors, particularly in predicting dividend trends in stock investments. Compared to IFRS4 which took into account insurance premiums at the beginning of the contract and insurance claims in the later part, IFRS17 takes an incurred-based approach and profits generated through uniform allocation of contractual service margin are evenly spread, making it easier to predict future earnings.

Contractual service margin growth is noted to be a critical factor in selecting companies that are expected to have profit growth. Taking this into account, Hyundai Marine leads the pack post-tax insurance operating profit for the next five years at 10%, followed by DB Insurance at 7.5 %, and Samsung Fire at 7.4%. For the life insurance sector, Samsung Life sits atop at 9.8%, followed by Hanwha Life at 9.3%.

The Cambodian insurance sector also recorded major growth as the IRC noted total premium of US$331.8 million in 2022, a growth of 10.6% from the US$299.8 million recorded in 2021. ■

Insurance Business Asia - 28 Feb 2023

SYRIA & TURKIYE

2023 Feb Quake:

• Moody's RMS Estimates $5B Insured Losses from Turkey Quake as Costs Keep Mounting

The economic and insured losses from the earthquakes that hit southern Turkey on Monday, Feb. 6 continue to escalate as damage information and data keeps pouring in.

The catastrophe risk modeling firm Moody's RMS estimated on Feb. 23 that economic losses from the earthquakes of 7.8 and 7.5 magnitude are likely to exceed US$25 billion (471 billion Turkish lira), while total insured losses are estimated at more than US$5 billion (94 billion Turkish lira), according to Moody's RMS, the global catastrophe risk modeling and solutions company.

Just a week earlier on Feb. 16, Karen Clark & Co. estimated insured losses of $2.4 billion, while Verisk issued estimates of "more than US$1 billion" on Feb. 14.

In its market update, Moody's RMS said its loss estimates reflect the impact of the earthquakes in Turkey and don't include losses in Syria. The Turkish insured losses include those to private insurers as well as to the Turkish Catastrophe Insurance Pool (TCIP).

"Only around 20% of the $25 billion economic losses that RMS estimates will result from the earthquake in Turkey will be covered by the insurance sector, highlighting the vast protection gap that exists in the country. Moody's expects reinsurers to absorb the bulk of the industry loss, which is relatively small in light of the devastation caused," said Helena Kingsley-Tomkins, senior analyst, Moody's Investors Service, in a statement accompanying the market update.

The Moody's RMS loss estimates are based on an analysis of the earthquake sequence using its Europe Earthquake Models and reflect damage to property and contents as well as and business interruption, across residential, commercial, and industrial lines in Turkey. These estimates do not include post-event loss amplification or losses to non-modeled exposures such as transport and utility infrastructure.

The devastation from the earthquakes was widespread. Eleven provinces were severely affected by the earthquakes, and the damage was worst in Gaziantep, Hatay, and Kahramanmaraş, said Moody's RMS, quoting the Turkish Ministry of Environment, Urbanization, and Climate Change.

As of Feb. 22, over 335,000 buildings are reported to have been damaged. "A unique contributor to the overall loss is that most of the economic losses due to shaking can be attributed to structures with severe damage that have either already collapsed or will require demolition," Moody's said.

(Editor's note: The two quakes

have killed nearly 50,000 people in Turkey and neighboring Syria. Two additional earthquakes of 6.4 and 5.8 magnitude struck Turkey's southeastern Hatay province on Monday, Feb. 20, killing eight people in Turkey and Syria, according to news reports.)

"Observations from early damage reports issued by the Turkish Ministry of Environment, Urbanization, and Climate Change, and Turkish research reconnaissance indicate a systemic lack of adherence to seismic provisions, including government 'amnesty' programs that have allowed continued occupancy of structures that do not meet seismic design requirements," Moody's RMS said.

The modeling company anticipates that any tightening of the codes or more stringent enforcement will likely increase repair and rebuild times, especially as the number of destroyed structures is so extensive. The damage reports to date suggest that mid- and high-rise buildings are contributing significantly to the overall event loss.

The road to recovery in Turkey will take several years due to the scale of the damage and complex macroeconomic conditions that existed prior to the events, including significant inflation, which will hamper the reconstruction and add to the overall costs, said Moody's RMS.

"The events highlighted the devastation that can arise when large magnitude events coincide with vulnerable building stock. We continue to learn from each significant earthquake, and the events in Turkey act as a wake-up call for other earthquake-prone regions, particularly concerning the true quality of the building stock," said Laura Barksby, product manager, Moody's RMS, in a statement.■

Source: Insurance Journal - 23 February 2023

• *Turkey Issues Rebuilding Rules after Quake Leaves Millions Homeless, Kills Thousands*

Turkey issued rebuilding regulations on Friday for a region devastated by earthquakes this month to enable companies or charities to help in the urgent task of building new homes for the millions who need rehousing after the devastating tremors.

More than 160,000 buildings, containing 520,000 apartments, collapsed or were severely damaged in Turkey in the earthquakes.

The Turkish death toll from the tremors now stands at more than 43,500 people, while the toll in neighboring Syria, a nation already shattered by war, is close to 6,000.

Turkish President Tayyip Erdogan has pledged to rebuild homes within a year, although experts have said the authorities should put safety before speed. Some buildings that were meant to withstand tremors crumbled in the latest earthquakes.

Many survivors have left the region of southern Turkey that was hit or have been settled in tents, container homes and other government-sponsored accommodation.

Under the new regulations, individuals, institutions and organizations will be able to build residences and workplaces that they can donate to the urbanization

ministry and those properties will then be handed to those in need, according to a presidential decree published in the Official Gazette.

Justice Minister Bekir Bozdag told CNNTurk that 171 people had been arrested and 77 more faced detention as part of an investigation into collapsed buildings in the earthquake area, related to violations of building codes.

“Everyone involved will be held accountable in front of courts. Everyone will be punished according to their responsibility,” Bozdag said.

He said legal changes could be needed for crimes regarding construction permits and said the authorities should discuss tougher punishments and deterrents for violating zoning rules, which dictate where and how buildings can be more safely built.

In Antakya, Saeed Sleiman Ertoglu, 56, loaded up what remained of his stock from his waterpipe shop that was not damaged in the two massive earthquakes on Feb. 6 followed by another strong quake two weeks later.

“The glassware was very beautiful, more than usual, but then we had this (earthquake), and it all got ruined,” he said, after his home and shop survived the first tremors but not the later one. He estimated that 5% of his merchandise survived.

“What can we do? This is an act of God, and God’s will always bears gifts,” he said. ■

Source: Insurance Journal - 3 March 2023

• *Feb Quakes Cause US$5bn in Direct Physical Damages, Equivalent to 10% of GDP*

The 6 February earthquakes that hit Turkiye and Syria caused an estimated $5.1bn in direct physical damages in Syria, according to a World Bank Global Rapid Assessment report, says the World Bank.

The current value of the damaged and destroyed capital stock is estimated at about 10% of GDP. The widespread damages impacted four governorates, where around 10m of Syria’s population reside.

Reflecting a significant degree of uncertainty around this preliminary assessment, estimates of the total direct damages using replacement costs range between $2.7bn and $7.9bn.

The Syria Global Rapid Post-Disaster Damage Estimation (GRADE) Report provides a broad, preliminary assessment of the direct physical damages in Syria and their spatial distribution. GRADE is a remote desk-based methodology that combines earthquake damage modelling, secondary hazard modelling with flooding, and an assessment of capital stock values of different assets and sectors.

The report, released on 3 March, does not cover broader economic impacts and losses for the Syrian economy, such as production or business interruption, loss of income, cost for temporary housing and demolition costs; these require a more in-depth assessment.

The GRADE report finds that Aleppo (population of 4.2m) was the most severely hit governorate with 45% of the estimated damages ($2.3bn) followed by Idlib (37% or $1.9bn) and Lattakia (11% or $549m). The subsequent earthquake on 20 February caused additional damage to the border regions in Lattakia, Idlib, Hama and Aleppo, with Idlib and Lattakia worst affected. Continued aftershocks are also likely to add to these damage estimates over time.

Breakdown of damages

Direct damages to residential buildings account for nearly half of the total damages (48.5% of the median value or $2.5bn), while damages in non-residential buildings (e.g., health facilities, schools, government buildings, and private sector buildings) account for one-third of the total impact (33.5% or $9.7bn). Infrastructure damages account for 18% of total damages ($0.9bn). This includes transport, critical power and water infrastructure, and Information & Communications Technology.

The damage estimates to the residential and non-residential sectors include direct damages to all buildings and structures, including cultural heritage sites in Aleppo, Margat and Kobani. Cultural heritage sites are, however, severely underestimated as values associated with the loss of cultural heritage are complex and challenging to quantify.

Mr Jean-Christophe Carret, World Bank country director of the Middle East Department, said, "These losses compound years of destruction, suffering, and hardship the people of Syria have been enduring over the past years. The disaster will cause a decline in economic activity that will further weigh on Syria's growth prospects."

The World Bank has also started a Syria Rapid Damage and Needs Assessment that will provide a more detailed sector-by-sector assessment and include estimates of economic losses and recovery needs.

The GRADE report on Syria was conducted and financially supported by the Global Facility for Disaster Reduction and Recovery (GFDRR).

The World Bank also released on 27 February an assessment of the physical damages caused by the earthquakes in Turkiye using the GRADE methodology. The two very large earthquakes of 6 February caused an estimated $34.2bn in direct physical damages in Turkiye, the equivalent of 4% of the country's 2021 GDP, says the Bank. ■

Source: Middle East Insurance Review - 5 March 2023

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GHANA

Insurance Market Overview

by Hussein Elsayed

Official Name: *Republic of Ghana*

Location: *Country of western Africa, Situated on the coast of the Gulf of Guinea in western Africa, Ghana is bordered to the northwest and north by Burkina Faso, to the east by Togo, to the south by the Atlantic Ocean, and to the west by Côte d'Ivoire.*

Government Type: *Presidential Republic*

Time Zone: *UTC (GMT) .*

Religion: *Christianity is the largest religion in Ghana, with 71.3% of the population; 18% is Muslim, 5% adheres to indigenous or animistic religious beliefs.*

Language: *English is the official language of Ghana, with nearly ten million speakers. Akan is the most spoken local language, encompassing Twi dialects such as Fante, Akuapem, Akyem, Ahafo, and Asante. Akan was spoken by over nine million people in country. Following this were the Ewe, Abron, and Dagbani language,.*

Climate: *The climate of Ghana is tropical and sits at the intersection of three hydro-climatic zones.*

The national economy stands to suffer from the impacts of climate change because of its dependence on climate-sensitive sectors such as agriculture, energy, and forestry.

(I) GHANA: Socio-Economic Information

Region	Western Africa	UN membership date	08 March 1957
Population (000, 2022)	33 476[a]	Surface area (km2)	238 537[b]
Pop. density (per km2, 2022)	147.1[a]	Sex ratio (m per 100 f)	99.5[a]
Capital city	Accra	National currency	Ghana Cedi (GHS)
Capital city pop. (000, 2022)	2 475.2[c]	Exchange rate (per US$)	6.0[d]

Economic indicators	**2010**	**2015**	**2022**
GDP: Gross domestic product (million current US$)	42 587	50 034	68 532[b]
GDP growth rate (annual %, const. 2015 prices)	7.9	2.1	0.4[b]
GDP per capita (current US$)	1 718.6	1 796.6	2 205.5[b]
Economy: Agriculture (% of Gross Value Added)[e,f]	28.9	21.8	20.5[b]
Economy: Industry (% of Gross Value Added)[e,g]	28.2	34.0	31.6[b]
Economy: Services and other activity (% of GVA)[e,h]	43.0	44.2	47.9[b]
Employment in agriculture (% of employed)	50.2[i]	35.2	28.5[i,b]
Employment in industry (% of employed)	13.7[i]	18.7	22.2[i,b]
Employment in services & other sectors (% employed)	36.1[i]	46.1	49.4[i,b]
Unemployment rate (% of labour force)	5.4	6.8	4.5[i]
Labour force participation rate (female/male pop. %)	67.6 / 74.5[i]	65.0 / 73.5	64.7 / 72.3[i]
CPI: Consumer Price Index (2010=100)	100	183	336[d]
Agricultural production index (2014-2016=100)	84	100	116[b]
International trade: exports (million current US$)[j]	5 233	13 756	19 500[i,d]
International trade: imports (million current US$)[j]	8 057	14 687	14 234[i,d]
International trade: balance (million current US$)[j]	- 2 824	- 932	5 266[d]
Balance of payments, current account (million US$)	- 2 747	- 2 824	- 2 134[b]

Major trading partners						**2021**
Export partners (% of exports)[i]	China	16.7	Switzerland	14.7	India	14.2
Import partners (% of imports)[i]	China	18.2	United States	9.4	United Kingdom	6.6

Social indicators	**2010**	**2015**	**2022**
Population growth rate (average annual %)	2.4	2.3	1.9[a]
Urban population (% of total population)	50.7	54.1	56.7[c]
Urban population growth rate (average annual %)[k]	4.0	3.6	...
Fertility rate, total (live births per woman)	4.2	4.0	3.5[a]
Life expectancy at birth (females/males, years)	62.5 / 59.8	65.0 / 61.4	66.1 / 61.8[a]
Population age distribution (0-14/60+ years old, %)	39.2 / 4.8	38.9 / 5.0	36.9 / 5.9[a]
International migrant stock (000/% of total pop.)[l]	337.8 / 1.4	414.7 / 1.5	476.4 / 1.5[b]
Refugees and others of concern to the UNHCR (000)	14.8[m]	21.3	14.3[d]
Infant mortality rate (per 1 000 live births)	47.0	38.7	31.6[a]
Health: Current expenditure (% of GDP)	4.3	4.6	3.4[c]
Health: Physicians (per 1 000 pop.)	0.1	0.1	0.2[b]
Education: Government expenditure (% of GDP)	5.5	4.6[i]	4.0[i,n]
Education: Primary gross enrol. ratio (f/m per 100 pop.)	99.5 / 101.1[o]	108.3 / 108.4	104.4 / 102.6[b]
Education: Sec. gross enrol. ratio (f/m per 100 pop.)	45.7 / 51.7[o]	66.1 / 69.6	77.8 / 77.5[b]
Education: Upr. Sec. gross enrol. ratio (f/m per 100 pop.)	23.6 / 29.0[o]	45.8 / 50.9	66.2 / 68.2[b]
Intentional homicide rate (per 100 000 pop.)	1.7	1.9	2.1[p]
Seats held by women in the National Parliament (%)	8.3	10.9	14.6[q]

Environment and infrastructure indicators	**2010**	**2015**	**2022**
Individuals using the Internet (per 100 inhabitants)	7.8[r,s]	23.0[i]	58.0[i,b]
Research & Development expenditure (% of GDP)	0.4[s]	...	...
Threatened species (number)	202	223	294
Forested area (% of land area)	34.9	34.6[i]	35.1[i,c]
CO2 emission estimates (million tons/tons per capita)	11.1 / 0.4	15.0 / 0.5	20.6 / 0.6[b]
Energy production, primary (Petajoules)	168	424	686[c]
Energy supply per capita (Gigajoules)	12	14	15[c]
Tourist/visitor arrivals at national borders (000)[t]	931	897	...
Important sites for terrestrial biodiversity protected (%)	68.9	68.9	68.9[d]
Pop. using safely managed drinking water (urban/rural, %)	43.9 / 6.3	51.9 / 10.9	60.3 / 16.1[b]
Pop. using safely managed sanitation (urban/rural %)	9.4 / 7.8	10.8 / 11.2	12.1 / 15.0[b]
Net Official Development Assist. received (% of GNI)	5.36	3.69	3.11[b]

a Projected estimate (medium fertility variant). **b** 2020. **c** 2019. **d** 2021. **e** Data classified according to ISIC Rev. 4. **f** Excludes irrigation canals and landscaping care. **g** Excludes publishing activities. Includes irrigation and canals. **h** Includes publishing activities and landscape care. Excludes repair of personal and household goods. **i** Estimate. **j** Since 2011, Ghana have been exporting crude petroleum & natural gas in relatively larger quantities. **k** Data refers to a 5-year period preceding the reference year. **l** Including refugees. **m** Data as at the end of December. **n** 2018. **o** 2009. **p** 2017. **q** Data are as at 1 January of reporting year. **r** Population aged 12 years and over. **s** Break in the time series. **t** Including nationals residing abroad.

World Statistics Pocketbook 2022 edition - by United Nations

(II) GHANA Insurance Market

Key Highlights

- *The NIC regulates the insurance industry of Ghana.*
- *Insurance to commercial buildings, motor third-party liability insurance and workmen's compensation insurance are mandatory in Ghana.*
- *Composite insurance licenses are not granted in Ghana.*
- *60% FDI is permitted in the insurance industry of Ghana.*
- *The placement of non-admitted insurance and reinsurance are not permitted with few exceptions.*

(A) Historical Landmarks and Developments [1]

The 1924 establishment of the Royal Exchange Assurance Corporation, now Enterprise Insurance Company, marked the beginning of an era in which foreign institutions established offices in the region and dominated the market.

The first domestic player, Gold Cost Insurance Company, opened in 1955, and two years later was rebranded as the Ghana Insurance Company (GIC). In 1962 the government became an industry player with the creation of the State Insurance Corporation, now known as the SIC Insurance Company.

In 1972 a decree by what was then the ruling party, the National Redemption Council, established the first comprehensive regulatory framework for the industry. The new rules included a requirement that all insurers operating in Ghana have their head offices in the country, and that 40% of their shares must be owned by Ghanaians. The decree also led to the creation of the Ghana Reinsurance Organisation – representing the government's first attempt to retain premium in the country.

In 1988, the foundation of the Ghana Insurers Association gave market participants an industry body and a unified voice in their dealings with the authorities.

One year later, a new industry regulator, the National Insurance Commission (NIC), formulated a set of capital and solvency requirements, as well as dividend policies and rules on investment activity.

In 2006 a new Insurance Act introduced guidelines for local content requirements, obliging companies to secure policies from domestic insurers wherever possible. The implementation of the new law resulted in a phase of rapid growth for the industry.

In 2013 the NIC formalised the micro-insurance market with the rollout of its Micro-insurance Market Conduct rules.

In 2014 the introduction of the No Premium, No Cover policy stabilised the sector by requiring insurance companies to collect premium before providing coverage. As the industry turns to face a new decade, it is preparing itself for another era of regulatory reform in the form of a new Insurance Bill, which the NIC has been working on for some years.

In 2021 The Ghanaian government has approved the Insurance Bill. The amendments include the addition of three compulsory insurance coverages, namely public liability, group life insurance for employees and professional indemnity. The new law also requires insurers to comply with corporate governance rules and to adhere to good industry practices.

In 2022 The National Insurance Commission (NIC) has been working on a draft law to regulate Ghanaian insurtechs. The NIC is calling on local insurers to work with tech companies to speed up the digitization of insurance services in the country.

[1] - GHAN: The Rereport 2022 - by Oxford Business Group

(B) Regulatory Environment [2]

The insurance sector in Ghana is primarily governed by the 2021 Insurance Act (Act 1061).
It was enacted by the President of the Parliament to revise the law relating to insurance in order to provide comprehensive provisions for the regulation of the insurance industry and related matters. The insurance regulator, the National Insurance Commission (NIC), has enacted a number of reforms over recent years, with the aim of developing the sector and its laws in line with international standards. New legislation is under development, aimed at expanding the scope of coverage and improving market capacity.

Ghana was one of the first African countries to create a National Health Insurance Scheme (NHIS), with the aim of helping people access health care when they need it without experiencing financial hardship. However, only one-third of the population are members of the scheme. For years now, Ghana has been striving to achieve Universal Health Coverage (UHC), but financing issues have remained a challenge. In 2019, Ghana hosted a Health Financing Forum with nearly 100 delegates attending, as well as a number of international organizations including WHO, UNICEF and the World Bank. Despite the success of the forum, little progress has been made since.

Legislations & Regulations:

Key Legislation:

In terms of oversight by the NIC in Ghana, there is one key act that governs the insurance sector:
2021 Insurance Act (replaced the 2006 Act): Established the NIC, outlining its functions, objectives, governance, administrative and financial provisions. It also provided legislation on prohibitions, restrictions, exemptions and licensing of insurers, solvency and capital requirements, transfers and mergers and reinsurance. The new bill (among other things) includes the introduction of an additional three compulsory insurance lines (public liability, group life and professional indemnity), in addition to the two existing compulsory lines (third party motor and fire for private commercial properties).

Business Plans & Guidelines (Click each item to Read):

- AML/CFT Guidelines
- Business Plan Guidelines for Insurers
- Business Plan Guidelines for Intermediaries
- Bancassurance and Corporate Agency Guidelines
- Composition Of Boards Guidelines
- Guidelines on Claims Management for Life Insurers
- Guidelines on Claims Management for Non Life Insurers
- Guidelines to Insurance Industry on External Auditors
- Guidelines on Insurance Premium Payment
- Guidelines for Technical Service Providers
- Life Products Guidelines
- Mobile Insurance Conduct Rules
- New Reinsurance Guidelines
- New Solvency Framework

[2] - NIC Website & Ghana Banking & Financial Services Report Q1 2023 - by Fitch Solutions, October 2022

Industry Regulators

The National Insurance Commission (NIC) is the sole institution that has been mandated to regulate and supervise insurance activities in the country. Its purpose is to ensure effective administration, supervision, regulation and control the business of insurance in Ghana. The Commission's main aim is to ensure financial soundness of insurance companies whilst acting in the public's best interest, ultimately to act as a catalyst for the development, growth and prosperity of the domestic insurance industry.

The NIC is mandated to perform a wide spectrum of functions, including:

- Issue licenses under the Insurance Act
- Monitor the operations of the market
- Issue directives, directions, instructions and guidelines to market players
- Enforce compliance in the market, in terms of licensees and regulatory requirements on anti-money laundering and countering financing of terrorism
- Promote public awareness and undertake public education on insurance
- Take enforcement action where necessary
- Approve rates of insurance premiums
- Set standards and facilitate the setting of codes for practitioners.

Industry Associations

The country's principal trade industry group for the insurance sector is the ***Ghana Insurers Association (GIA)***, which was registered in 1963.
The Association was originally Ghana Insurance Association at inception, but the name was later changed to Ghana Insurers Association in January 1997 to reflect the membership of insurance and reinsurance underwriting companies.

The main aim of the GIA is to protect, promote and advance the common interest of insurers, reinsurers and the insuring public, as well as harnessing the collective voice of its membership to sustain the sector's reputation.
Membership is for all insurance and reinsurance companies registered and licensed to conduct insurance business in Ghana. As of December 2022, the Association has 51 members made up of 20 life insurance companies, 27 non-life insurance companies and four reinsurance companies.

Insurance Brokers Association of Ghana (IBAG) is the national voice of Insurance Brokers and an advocate for insurance consumers.
IBAG (on the Executive Council level) maintains high-level links with the National Insurance Commission, the Private Enterprise Federation and the Ghana Insurers Association to the benefit of IBAG Members. IBAG continues to work closely with the NIC to help ensure a fair, equitable and workable regulatory regime for the broking industry. On the PEF level, IBAG is able to channel the concerns of Members of the industry to the Presidency of the State. IBAG periodically meets with GIA to deliberate on industry issues, negotiate Commission Rates and come up with guidelines that would have been difficult for individual Members to do. IBAG also has engagements with the Media to raise the profile of Brokers.

The Chartered Insurance Institute of Ghana (CIIG) formerly known as Insurance Institute of Ghana (IIG) was established in 1970 as the pioneer professional insurance body to unify and provide common platform for insurance professionals in Ghana.
On January 28, 1982 the Chartered Insurance Institute of Ghana was registered as a professional body under the Professional Bodies Registration Decree, 1973 (NRCD 143). The Institute built international recognition as an affiliate of the Chartered Insurance Institute of London (CII-UK) which maintained an examination Secretariat in Accra-Ghana at the time of the inauguration.

(C) Insurance Market Performance & Statistics

Ghana insurance market structure

As at March 2021, the insurance industry was made up as follows:

- 27 Non-Life companies
- 21 Life companies
- 3 Reinsurance companies
- 116 Broking companies
- 5 Reinsurance Broker
- 1 Reinsurance Contact Office
- 12,500 insurance agents

Ghana insurance market: premium evolution [3]

Total Premiums	2020	2021
Total Premiums (US$ m)	686	815
Total Insurance Growth (%) inflation-adjusted	2.7%	11.5%
Total Insurance Penetration (%)	1%	1.1%
Total Insurance Density (US$)	22	26
Non-Life *		
Non-Life Premiums (US$ m)	337	421
Non-Life Insurance Growth (%), inflation-adjusted	-4%	17.3%
Non-Life Insurance Penetration (%)	0.5%	0.6%
Non-Life Insurance Density (US$)	11	13
Life		
Life Premiums (US$ m)	348	393
Life Insurance Growth (%), inflation-adjusted	10.1%	5.9%
Life Insurance Penetration (%)	0.5%	0.5%
Life Insurance Density (US$)	11	12

** Including PA & H Business*

In thousands

Turnover per class of business in 2021

Class of business	2021 turnover		2020 turnover		2020-2021 evolution [1]	2021 shares
	GHS	USD	GHS	USD		
Motor	1165232	188546	813000	138218	43.32%	23.90%
Property damage [2]	601717	97364	426000	72424	41.25%	12.34%
Engineering	165850	26836	116000	19721	42.97%	3.40%
Credit and surety insurance	149944	24263	77000	13091	94.73%	3.08%
General third party liability	96894	15678	116000	19721	-16.47%	1.99%
Marine & aviation	91086	14739	77000	13091	18.29%	1.87%
Personal accident and health	76590	12393	58000	9861	32.05%	1.57%
Others	14463	2340	38738	6586	-62.66%	0.30%
GOGIP [3]	-	-	213000	36212	-	-
Total non-life	**2361776**	**382159**	**1934738**	**328925**	**22.07%**	**48.45%**
Total life	**2513348**	**406685**	**1998791**	**339814**	**25.74%**	**51.55%**
Grand total	**4875124**	**788844**	**3933529**	**668739**	**23.94%**	**100%**

Source: National Insurance Commission (NIC)

(1) Evolution in local currency (2) Including theft and fire (3) "Ghana Oil and Gas Insurance Pool"

Exchange rate at 31/12/2021: 1 GHS = 0.16181 USD ; at 31/12/2020: 1 GHS = 0.17001 USD

In thousands

Non-life insurance companies ranking per 2021 turnover

Companies	2021 turnover		2020 turnover		2020-2021 evolution (1)	2021 shares
	GHS	USD	GHS	USD		
Enterprise Insurance	335170	54234	259686	44149	29.07%	6.88%
SIC Insurance	276224	44696	242689	41260	13.82%	5.67%
Hollard Insurance Ghana	212492	34383	172262	29286	23.35%	4.36%
Star Assurance	192372	31128	146980	24988	30.88%	3.95%
Glico General Insurance	172911	27979	147958	25154	16.86%	3.55%
Vanguard Assurance	162610	26312	138801	23598	17.15%	3.34%
Ghana Union Assurance	140910	22801	113813	19349	23.81%	2.89%
Activa International Insurance	116065	18781	80143	13625	44.82%	2.38%
Phoenix Insurance	86498	13996	68901	11714	25.54%	1.77%
Sunu Assurance	66620	10780	59292	10080	12.36%	1.37%
Prime Insurance	65023	10521	51417	8741	26.46%	1.33%
Quality Insurance	63259	10236	46142	7845	37.10%	1.30%
Provident Insurance	53110	8594	40649	6911	30.66%	1.09%
Donewell Insurance	52909	8561	47584	8090	11.19%	1.08%
Saham Insurance Ghana	49184	7958	37821	6430	30.04%	1.01%
Allianz Insurance	47964	7761	55875	9499	-14.16%	0.98%
Serene Insurance	43364	7017	21220	3608	104.35%	0.89%
Millennium Insurance	41779	6760	26860	4566	55.54%	0.86%
Priority Insurance	40906	6619	27966	4755	46.27%	0.84%
Imperial General Assurance	25079	4058	16005	2721	56.69%	0.51%
Coronation Insurance Ghana (2)	24597	3980	20263	3445	21.39%	0.50%
Unique Insurance	24148	3907	17780	3023	35.82%	0.49%
NSIA Ghana Insurance	23333	3776	17724	3013	31.65%	0.48%
Best Assurance	20853	3374	22321	3795	-6.58%	0.43%
Loyalty Insurance	20457	3310	10792	1835	89.56%	0.42%
Bedrock Insurance	3939	637	3752	638	4.98%	0.08%
RegencyNem Insurance Ghana	-	-	40042	6807	-	-
Total non-life	**2361776**	**382159**	**1934738**	**328925**	**22.07%**	**48.45%**

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Life insurance companies ranking per 2021 turnover

In thousands

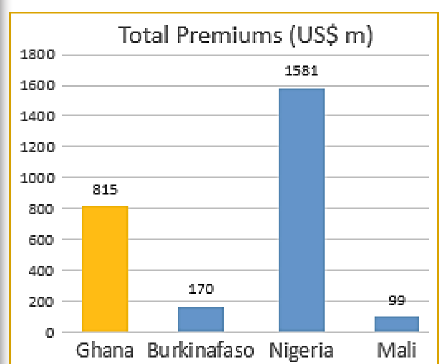
Companies	2021 turnover		2020 turnover		2020-2021 evolution [1]	2021 shares
	GHS	USD	GHS	USD		
Enterprise Life Assurance	608 800	98 510	521 270	88 621	16.79%	12.49%
SIC Life Insurance	476 033	77 027	401 646	68 284	18.52%	9.77%
StarLife Assurance	411 798	66 633	321 501	54 658	28.09%	8.45%
Prudential Life Insurance Ghana	223 408	36 150	157 743	26 818	41.63%	4.58%
Glico Life Insurance	179 510	29 046	148 934	25 320	20.53%	3.68%
Mi Life Insurance	134 301	21 731	80 703	13 720	66.41%	2.75%
Metropolitan Life Insurance Ghana	117 140	18 954	99 330	16 887	17.93%	2.40%
Old Mutual Assurance Ghana	103 769	16 791	83 184	14 142	24.75%	2.13%
Allianz Life Insurance	49 687	8 040	31 662	5 383	56.93%	1.02%
Phoenix Life Assurance	41 174	6 662	30 185	5 132	36.41%	0.84%
Saham Life Insurance Ghana	33 463	5 415	24 334	4 137	37.52%	0.69%
Quality Life Assurance	27 068	4 380	24 217	4 117	11.77%	0.56%
Donewell Life Insurance	24 037	3 889	19 778	3 362	21.53%	0.49%
Hollard Life Assurance	20 875	3 378	14 327	2 436	45.70%	0.43%
Vanguard Life Assurance	17 211	2 785	16 861	2 866	2.08%	0.35%
Ghana Life Insurance	16 761	2 712	-	-	-	0.34%
Ghana Union Assurance Life	14 003	2 266	11 762	2 000	19.05%	0.29%
Exceed Life Assurance	6 036	977	3 299	561	82.96%	0.12%
First Insurance	5 950	963	5 068	862	17.40%	0.12%
GN Life Assurance	2 324	376	2 987	508	-22.20%	0.05%
Total life	**2513348**	**406685**	**1998791**	**339814**	**25.74%**	**51.55%**

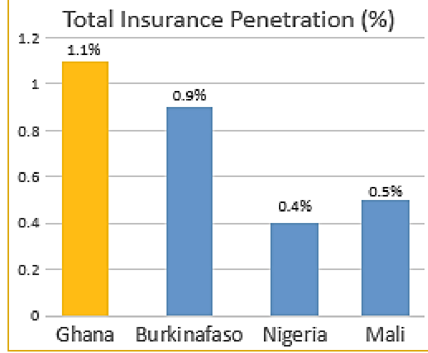
Source: National Insurance Commission (NIC)
[1] Growth rate in local currency [2] Ex. Wapic Insurance Ghana
Exchange rate as at 31/12/2021 : 1 GHS = 0.16181 USD ; at 31/12/2020 : 1 GHS = 0.17001 USD

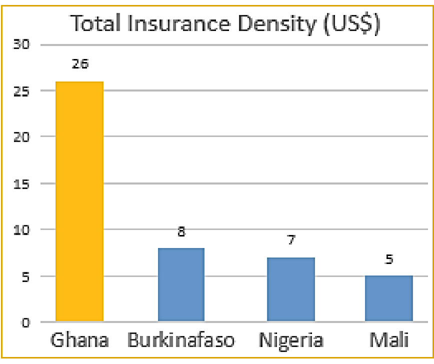
Atlas Magazine – 29/11/ 2022

Global and Regional Comparison:

In terms of world ranking in 2021; as SwissRe Sigma report No4/2022"; the Ghanaian total insurance industry ranked at **88**, Non-Life insurance industry ranked **86** and Life insurance industry ranked **70**







Annual Reports

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FAIR AVIATION POOL's UNDERWRITING CAPACITY

TREATY:

Treaty (Non Proportional)	$ 4 000 000
Treaty (Proportional)	$ 4 000 000

FACULTATIVE:

	Hull	Liability
Facultative (Airline)	$ 4 000 000	$ 28 500 000
Facultative (Non Airline)	$ 3 000 000	$ 15 000 000

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Sri Lanka

Insurance Market Overview

by Hussein Elsayed

Official Name: *Democratic Socialist Republic of Sri Lanka*

Location: *Sri Lanka is an island. It lies in the Indian Ocean, southwest of the Bay of Bengal, and southeast of the Arabian Sea; it is separated from the Indian subcontinent by the Gulf of Mannar and the Palk Strait.*

Government Type: *Republic*

Time Zone: *Five and a half hours ahead of GMT.*

Religion: *70.1% Theravada Buddhists, 12.6% Hindus, 9.7% Muslims (mainly Sunni), 6.2% Roman Catholic, 1.4 other Christians .*

Language: *Sinhala (official and national language) 74%, Tamil (national language) 18%, other 8%*

Note: English (a link language commonly) is used in government and spoken competently by about 10% of the population.

Climate: *The climate is tropical and warm because of moderating effects of ocean winds.*

(II) Sri Lanka: Socio-Economic Information

Region	Southern Asia	UN membership date	14 December 1955
Population (000, 2022)	21 832 [a]	Surface area (km2)	65 610 [b]
Pop. density (per km2, 2022)	348.2 [a]	Sex ratio (m per 100 f)	92.9 [a]
Capital city	Colombo [c]	National currency	Sri Lanka Rupee (LKR)
Capital city pop. (000, 2022)	606.2 [d]	Exchange rate (per US$)	186.4 [b]

Economic indicators	2010	2015	2022
GDP: Gross domestic product (million current US$)	56 726	80 604	80 677 [b]
GDP growth rate (annual %, const. 2015 prices)	8.0	5.0	- 3.6 [b]
GDP per capita (current US$)	2 799.6	3 855.2	3 767.6 [b]
Economy: Agriculture (% of Gross Value Added) [e,f]	9.5	8.8	8.9 [b]
Economy: Industry (% of Gross Value Added) [e,g]	29.7	29.3	27.8 [b]
Economy: Services and other activity (% of GVA) [e,h]	60.9	61.9	63.3 [b]
Employment in agriculture (% of employed)	31.8	28.7	23.7 [i,b]
Employment in industry (% of employed)	25.5	25.8	30.4 [i,b]
Employment in services & other sectors (% employed)	42.6	45.6	45.9 [i,b]
Unemployment rate (% of labour force)	4.8	4.5	4.9 [i]
Labour force participation rate (female/male pop. %)	34.0 / 74.2	35.4 / 73.9	31.4 / 69.0 [i]
CPI: Consumer Price Index (2010=100)	100 [j,k]	110 [l]	147 [l,m]
Agricultural production index (2014-2016=100)	93	104	119 [b]
International trade: exports (million current US$)	8 304	10 440	13 331 [m]
International trade: imports (million current US$)	12 354	18 967	21 502 [m]
International trade: balance (million current US$)	- 4 050	- 8 528	- 8 171 [m]
Balance of payments, current account (million US$)	- 1 075	- 1 883	- 1 083 [b]

Major trading partners						2021
Export partners (% of exports)	United States	24.7	United Kingdom	7.5	India	6.7
Import partners (% of imports)	China	23.7	India	22.0	United Arab Emirates	6.6

Social indicators	2010	2015	2022
Population growth rate (average annual %)	0.9	0.4	0.3 [a]
Urban population (% of total population)	18.2	18.3	18.6 [d]
Urban population growth rate (average annual %) [n]	0.6	0.5	...
Fertility rate, total (live births per woman)	2.2	2.1	2.0 [a]
Life expectancy at birth (females/males, years)	77.6 / 69.2	79.0 / 71.0	80.2 / 72.9 [a]
Population age distribution (0-14/60+ years old, %)	25.5 / 11.8	25.0 / 13.6	22.8 / 16.7 [a]
International migrant stock (000/% of total pop.) [o]	39.0 / 0.2	39.7 / 0.2	40.3 / 0.2 [b]
Refugees and others of concern to the UNHCR (000)	435.3 [p]	51.8	26.2 [m]
Infant mortality rate (per 1 000 live births)	9.7	7.5	5.5 [a]
Health: Current expenditure (% of GDP)	3.9	3.9	4.1 [d]
Health: Physicians (per 1 000 pop.)	0.7	0.9	1.2 [b]
Education: Government expenditure (% of GDP)	1.7	2.2	2.1 [q]
Education: Primary gross enrol. ratio (f/m per 100 pop.)	98.2 / 100.7	100.6 / 102.7	100.0 / 100.5 [d]
Education: Sec. gross enrol. ratio (f/m per 100 pop.)	97.5 / 96.3	101.8 / 97.2 [r]	102.6 / 98.0 [q]
Education: Upr. Sec. gross enrol. ratio (f/m per 100 pop.)	98.2 / 91.7	103.9 / 94.0 [r]	105.3 / 95.2 [q]
Intentional homicide rate (per 100 000 pop.)	3.8	2.3	3.5 [d]
Seats held by women in the National Parliament (%)	5.8	5.8	5.3 [s]

Environment and infrastructure indicators	2010	2015	2022
Individuals using the Internet (per 100 inhabitants)	3.9 [t]	12.1 [i,u,v]	35.0 [b]
Research & Development expenditure (% of GDP)	0.1	0.1	0.1 [q]
Threatened species (number)	552	580	820
Forested area (% of land area)	33.5	34.4	34.2 [d]
CO2 emission estimates (million tons/tons per capita)	14.0 / 0.6	21.0 / 0.9	24.2 / 1.0 [d]
Energy production, primary (Petajoules)	184	181	178 [i,d]
Energy supply per capita (Gigajoules)	18	21	21 [d]
Tourist/visitor arrivals at national borders (000) [w]	654	1 798	508 [b]
Important sites for terrestrial biodiversity protected (%)	41.4	43.7	43.7 [m]
Pop. using safely managed drinking water (urban/rural, %)	88.4 / ...	91.5 / ...	93.3 / ... [b]
Net Official Development Assist. received (% of GNI)	1.00	0.57	0.28 [b]

a Projected estimate (medium fertility variant). **b** 2020. **c** Colombo is the capital and Sri Jayewardenepura Kotte is the legislative capital. **d** 2019. **e** Data classified according to ISIC Rev. 4. **f** Excludes irrigation canals and landscaping care. **g** Excludes publishing activities. Includes irrigation and canals. **h** Includes publishing activities and landscape care. Excludes repair of personal and household goods. **i** Estimate. **j** Colombo **k** Calculated by the UNSD from national indices. **l** Index base: 2013=100. **m** 2021. **n** Data refers to a 5-year period preceding the reference year. **o** Including refugees. **p** Data as at the end of December. **q** 2018. **r** 2013. **s** Data are as at 1 January of reporting year. **t** 2007. **u** Users in the last 12 months. **v** Population aged 5 to 69 years. **w** Excluding nationals residing abroad.

World Statistics Pocketbook 2022 edition - by United Nations

(III) Sri Lanka Insurance Market

Key Highlights

- *The Insurance Regulatory Commission of Sri Lanka regulates and supervises the insurance industry.*
- *100% FDI is permitted in the Sri Lankan insurance industry*
- *The Sri Lankan insurance industry is moving towards risk-based capital system in order to make it on par with the prevailing international practice.*
- *The placement of non-admitted insurance is not permitted with certain exceptions. However, non-admitted reinsurers are permitted to operate in the country.*
- *With effect from February 2016, all insurers in Sri Lanka are required to be listed on a licensed stock exchange..*

(A) Historical Landmarks and Developments [1]

19th c British and other foreign insurers established operations in Sri Lanka. General agents represented most companies, Foreign companies included Royal Assurance, New India and Ocean Accident & Guarantee Corporation.
1939 The first Sri Lankan insurer, Ceylinco Insurance Co Ltd, was established.
1951 The Motor Traffic Act No 14, requiring obligatory motor third party insurance, was passed.
1962 The Control of Insurance Act No 25 was introduced. Life insurance was nationalised (non-life followed in 1964) and the state insurer, Sri Lanka Insurance Corporation (SLIC), became a monopoly insurer. 1980 A second state-owned insurer, National Insurance Corporation (NIC), was opened for business in order to provide some competition for the SLIC.
1986 The Control of Insurance (Amendment) Act No 42 was placed on the statute book.
1989 The Insurance Association of Sri Lanka was established.
2000 The core legislation, the Regulation of Insurance Industry Act, No 43, was enacted.
2001 The Insurance Board of Sri Lanka, a new regulatory body, established by the 2000 act, started operations on 1 March.
2005 The compulsory fire tariff was abolished with effect from 1 January.
2007 The compulsory workers' compensation tariff was withdrawn with effect from 1 January.
2008 With effect from 1 January, insurers were obliged to cede 20% of their non-life reinsurance to the state-owned National Insurance Trust Fund (NITF).
2011 The Regulation of Insurance Industry (Amendment) Act No 3 became effective on 11 February. This increased the minimum capital requirement to LKR 500mn (USD 3.28mn at current rates of exchange) and abolished composite offices.
2013 The compulsory reinsurance cession to the NITF was increased to 30%.
2015 Most composite insurers split into separate non-life and life companies.
2016 The new risk-based capital regime became effective.

In 2020, Ceylinco General Insurance launched ‘Drive Thru Claims.’ Customers who do not opt to obtain claims using the On the Spot facility will be notified via SMS of the pending items and the documents required. Once the papers are handed over at the Dive Thru Centre, the customer will receive the cheque or cash within a few minutes.

In 2022, Sri Lanka Insurance partnered with SLIM Agrisaviya to nurture the agriculture sector. The Certificate in Agri-Business and Entrepreneurship (CABE) program is a first-of-its-kind qualification available in Sri Lanka to transform farmers into “Agriprenuers It is worth to be mentioned that 25.5% of the total employed population engaged in agriculture, inclusive of forestry and fishery.

[1] - SRI LANKA Non-Life (P&C) Report - by AXCO, Aug 2019 & Mordor Report

(B) Regulatory Environment [2]

As a relatively marginal sub-sector of the financial services industry, the insurance business is not subject to the same level of extensive regulation as banking. The Insurance Industry Act, approved in 2000, is the cornerstone legislation still governing the sector, although it has been amended on several occasions, including updates in 2011 and 2017 that ushered in some significant changes to the industry's landscape.

Chief among the reforms included in the amended act post-2011 - which came into force in January 2016 - was the obligation for composite insurance companies to segregate their life and non-life business lines into separate companies.

In addition, companies were given five years to comply with a new requirement that all insurers be listed on the Stock Exchange. All new insurers entering the market must be listed within three years of receiving a licence. However, enforcement of this reform was also patchy and in October 2017 the government confirmed new amendments to the Insurance Act to allow subsidiaries of foreign insurance groups that are listed on their respective stock exchanges to be exempt from the local listing requirement. State-owned insurance companies, including the SLIC and public reinsurer National Insurance Trust Fund (NITF), also benefit from the new flexibility.

Other key rules that regulate the industry include: An obligation to seek prior approval from the Insurance Regulatory Commission of Sri Lanka (IRCSL) for any change in ownership greater than 50% of share capital or voting rights; a minimum capital requirement of LKR500mn per class of insurance business; a capital adequacy ratio of at least 120%; a requirement for 30% of total liability from any reinsurance contracts to be reinsured with the NITF; and a levy of 0.2% and 0.4% on total net premiums in life and non-life businesses respectively, to be paid into the Policyholders' Premium Fund.

In 2018, a new tax system was introduced for life insurers, which had previously been able to reduce taxable income by deducting management fees. From April 2018, life insurers have been subject to a 28% tax on profits, while any surplus transferred to policyholders will also incur a 28% tax from April 2021 (following a three-year concessionary rate at 14%).

In the 2019 budget, the Finance Minister added a new tax on imported vehicles that could impact the dominant motor insurance segment. With the sector posting strong growth in recent years, efforts are also being made to update rules in order to promote professionalism, with a particular focus on consumer protection. In August 2018, the IRCSL announced that it would enter a memorandum of understanding with the Financial Intelligence Unit of the central bank in order to better share information on money laundering and terrorist financing.

Legislations & Regulations:

Key Legislation

- Regulation of Insurance Industry Act No. 43 of 2000 (with amendments) - on the development, supervision, and regulation of the insurance sector in Sri Lanka
- Securities and Exchange Commission Act No. 36 of 1987 - governing insurance companies that are listed on the stock exchange(a legal requirement since 2016)
- The IRCSL issues circulars, directions and guidelines to stipulate specific criteria for compliance with the existing legislation.
- Insurance companies are subject to money laundering and financing of terrorism legislation.

[2] - Sri Lanka Banking & Financial Services Report Q1 2023 - by Fitch Solutions, December 2022.

Rules & Guidelines (click each item to read):

- *RULES:*
  - *Insurance Brokers*
  - *Loss Adjuster Registration Rules*
  - *Insurance Agent Qualification Rules*
- *REGULATIONS*
- *GUIDELINES*
  - *Guidelines on Advertisements issued by Insurers, Insurance Brokers and Insurance Agents*
  - *Principles on Fair Treatment of Customers*
  - *Investment Guidelines*
  - *Guidelines on Conducting Investigations on Insurance Claims*
  - *Amendment to Clause 14.4 of the Guidelines on linked long term insurance business*
  - *Guidelines on Complaint Handling by Insurers and Brokers*
  - *Good Practices in Conducting Inquiries on Insurance Agents*
  - *Amendment to the paragraph 14.5 of Guidelines on linked long term business*
  - *Guidelines on Business Continuity Plan*
  - *Guidelines on linked long term business*
  - *Guidelines on Anti Money Laundering programme for Insurers/Brokers*

Industry Regulators

Established in 2001, the IRCSL (https://ircsl.gov.lk/) is the regulator with oversight over insurance companies, intermediaries (agents and brokering companies) and loss adjusters. Citing the Insurance Industry Act, the IRCSL states that its chief responsibility is to ensure the professional and prudent management of insurance businesses so as to protect the interests of policyholders.

The IRCSL has the authority to license insurance companies and brokers as well as the power to suspend or revoke these licences in cases of non-compliance with the regulatory framework. In recent years, the board has temporarily suspended the licences of several brokers but has taken limited action against insurance companies.

The IRSCL is a member of the International Association of Insurance Supervisors and adopts some of the core principles for effective supervision and monitoring of the insurance industry.

Industry Associations

Insurance Association of Sri Lanka (IASL): The main industry body was formed in 1989. (IASL representing the interests of its members. The association has technical committees for non-life and life insurance and finance. Important issues affecting the whole industry are considered by the management committee, which represents the sector in its dealings with the regulator and other authorities and entities.

SLIBA

Sri Lanka Insurance Brokers Association (SLIBA) is the central organization for all registered insurance brokers in Sri Lanka. SLIBA is involved with elevating the status of its membership, safeguarding and advancing their interests whilst enhancing their general efficiency, technical knowledge and professional conduct.

***Sri Lanka Insurance Ombudsman*:** The objective of the Sri Lanka Insurance Ombudsman scheme is the satisfactory settlement of complaints/disputes that policyholders of insurance companies (the insured) may have against the company that sold them the insurance policy (the insurer). Each participating Insurance Institution/company has established and nominated in each of their Institutions a senior and experienced officer designated as the "Complaints Settlement Officer" or "Complaints Resolution Officer" (or similar name).

Sri Lanka Insurance Institute (SLII): The specialist Sri Lanka Insurance Institute is the leading provider of education, training and professional studies dedicated to the insurance industry and is affiliated with the Chartered Insurance Institute of London.

(C) Insurance Market Performance & Statistics

Sri Lanka insurance market structure

By the end of 2021, the insurance industry comprised

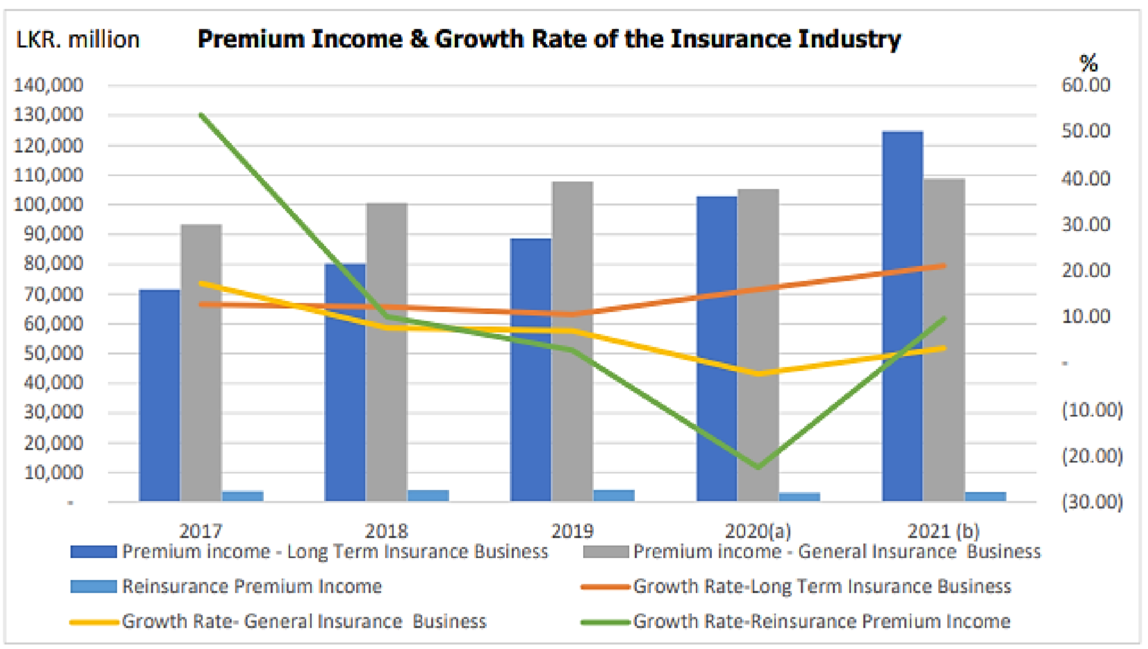
27 insurance companies, i.e., 13 long-term insurers, 12 general insurers and 2 composite insurers	76 Insurance Brokers
	29 Loss Adjusters

Sri Lanka insurance market: premium evolution [3]

Total Premiums	2020	2021
Total Premiums (US$ m)	1.032	1.061
Total Insurance Growth (%) inflation-adjusted	-7.3%	2.9%
Total Insurance Penetration (%)	1.3%	1.3%
Total Insurance Density (US$)	48	49
Non-Life *		
Non-Life Premiums (US$ m)	523	541
Non-Life Insurance Growth (%), inflation-adjusted	-15.3%	3.6%
Non-Life Insurance Penetration (%)	0.6%	0.6%
Non-Life Insurance Density (US$)	24	25
Life		
Life Premiums (US$ m)	510	520
Life Insurance Growth (%), inflation-adjusted	2.6%	2.1%
Life Insurance Penetration (%)	0.6%	0.6%
Life Insurance Density (US$)	24	24

** Including PA & H Business*

[3] - Swiss Re Sigma Explorer (www.sigma-explorer.com)



Class-wise Analysis of Gross Written Premium
General Insurance Business

Class	Gross Written Premium (LKR '000)				
	2017	2018	2019	2020 (a)	2021 (b)
Fire	8,597,489	8,821,655	8,269,991	8,888,258	10,324,853
Marine	2,191,654	2,403,366	2,385,566	2,276,474	3,074,111
Motor	56,047,640	62,363,476	63,685,555	61,276,210	59,733,959
Health	14,649,440	14,161,542	16,593,661	18,877,585	19,960,147
Miscellaneous	7,866,260	8,254,421	10,442,624	7,857,768	8,913,184
Sub Total	**89,352,484**	**96,004,460**	**101,377,397**	**99,176,296**	**102,006,254**
SRCC & T	4,036,283	4,581,641	6,307,350	6,088,496	6,754,134
Total	**93,388,766**	**100,586,101**	**107,684,747**	**105,264,792**	**108,760,388**

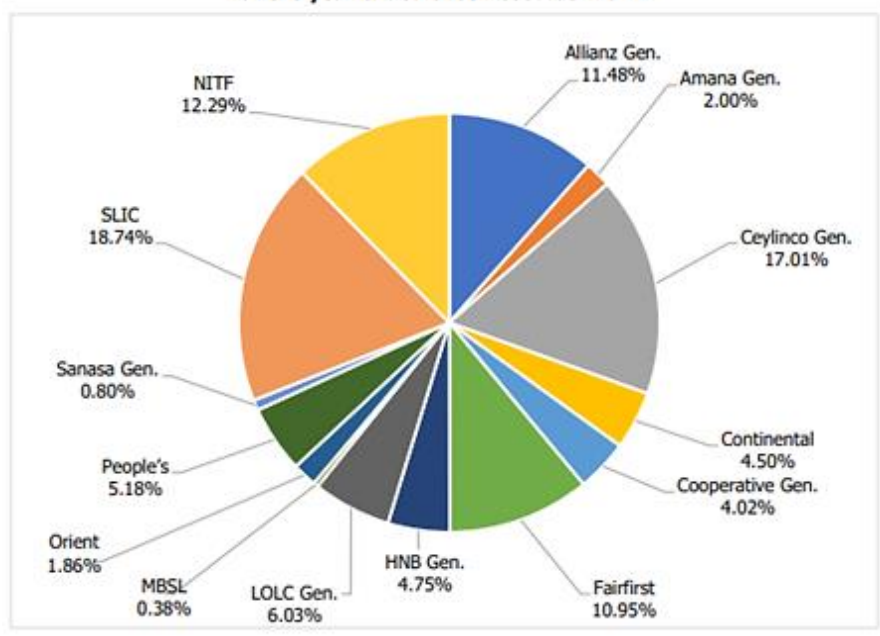
Class	Growth (%)				
	2017	2018	2019	2020 (a)	2021 (b)
Fire	14.94	2.61	(6.25)	7.48	16.16
Marine	5.05	9.66	(0.74)	(4.57)	35.04
Motor	13.61	11.27	2.12	(3.78)	(2.52)
Health	45.96	(3.33)	17.17	13.76	5.73
Miscellaneous	10.47	4.93	26.51	(24.75)	13.43
Sub Total	**17.48**	**7.44**	**5.60**	**(2.17)**	**2.85**
SRCC & T	14.23	13.51	37.67	(3.47)	10.93
Total	**17.34**	**7.71**	**7.06**	**(2.25)**	**3.32**

Class	Percentage Share (%)				
	2017	2018	2019	2020 (a)	2021 (b)
Fire	9.21	8.77	7.68	8.44	9.49
Marine	2.35	2.39	2.22	2.16	2.83
Motor	60.02	62.00	59.14	58.21	54.92
Health	15.69	14.08	15.41	17.93	18.35
Miscellaneous	8.42	8.21	9.70	7.46	8.20
Sub Total	**95.68**	**95.45**	**94.14**	**94.22**	**93.79**
SRCC & T	4.32	4.55	5.86	5.78	6.21
Total	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

Company - wise Gross Written Premium and Market share - General Insurance Business

Insurer	2019		2020 (a)		2021 (b)	
	GWP (LKR '000)	Market Share (%)	GWP (LKR '000)	Market Share (%)	GWP (LKR '000)	Market Share (%)
Allianz Gen.	18,095,258	16.80	13,852,829	13.16	12,490,133	11.48
Amana Gen.	1,621,461	1.51	1,631,666	1.55	2,173,073	2.00
Ceylinco Gen.	18,401,405	17.09	18,680,545	17.75	18,498,751	17.01
Continental	5,002,548	4.65	4,808,964	4.57	4,888,930	4.50
Cooperative Gen.	4,192,960	3.89	4,274,397	4.06	4,374,591	4.02
Fairfirst	11,247,669	10.44	11,937,482	11.34	11,914,064	10.95
HNB Gen.	4,394,457	4.08	4,583,235	4.35	5,166,812	4.75
Janashakthi Gen.						
LOLC Gen.	4,954,896	4.60	5,612,894	5.33	6,562,651	6.03
MBSL	95,979	0.09	297,995	0.28	413,070	0.38
NITF	13,358,203	12.40	12,051,863	11.45	13,365,348	12.29
Orient	1,564,902	1.45	1,628,153	1.55	2,027,885	1.86
People's	5,694,164	5.29	5,686,758	5.40	5,634,586	5.18
Sanasa Gen.	898,079	0.83	847,117	0.80	868,306	0.80
SLIC	18,162,766	16.87	19,370,895	18.40	20,382,188	18.74
Total	**107,684,747**	100	**105,264,793**	100	**108,760,388**	100
Growth Rate (%)	**7.06**		**-2.25**		**3.32**	

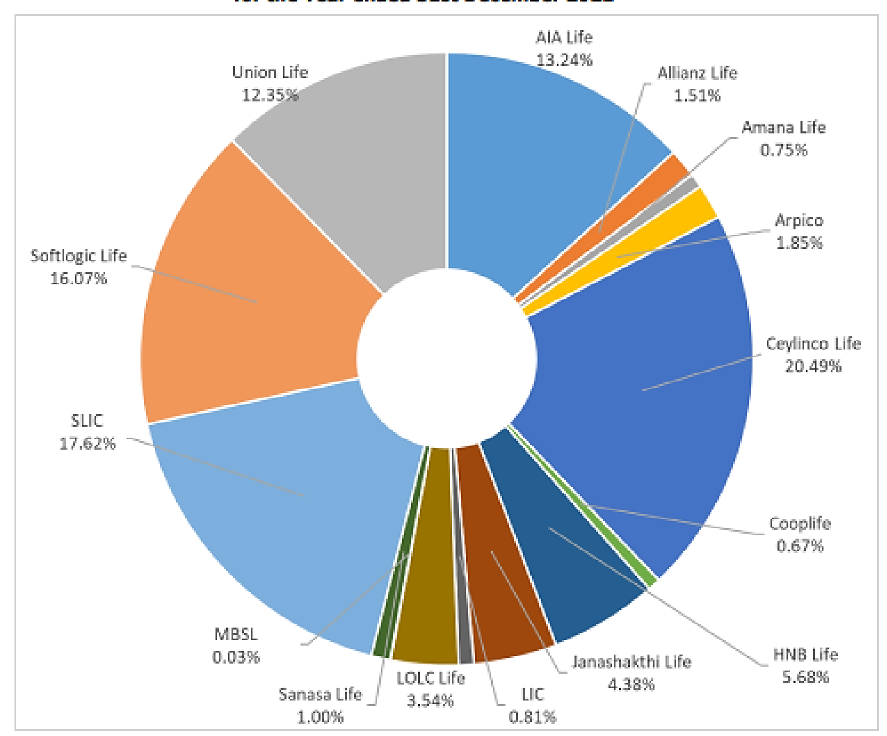
Company-wise Market Share of Gross Written Premium General Insurance Business for the year ended 31st December 2021



Company - wise Gross Written Premium and Market Share - Long Term Insurance Business

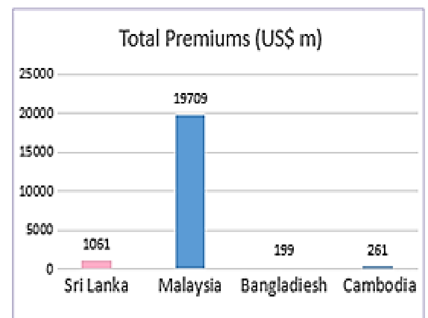
Insurer	2019		2020 (a)		2021 (b)	
	GWP (LKR '000)	Market Share (%)	GWP (LKR '000)	Market Share (%)	GWP (LKR '000)	Market Share (%)
AIA Life	13,848,283	15.60	14,049,559	13.64	16,517,328	13.24
Allianz Life	1,403,858	1.58	1,476,069	1.43	1,886,703	1.51
Amana Life	851,293	0.96	767,232	0.74	929,830	0.75
Arpico	1,633,156	1.84	1,836,100	1.78	2,311,633	1.85
Ceylinco Life	18,718,553	21.08	22,076,250	21.43	25,565,050	20.49
Cooplife	772,782	0.87	775,410	0.75	840,604	0.67
HNB Life	5,175,044	5.83	5,487,039	5.33	7,091,470	5.68
Janashakthi Life	3,511,660	3.96	3,819,817	3.71	5,460,929	4.38
LIC	598,896	0.67	714,127	0.69	1,004,700	0.81
LOLC Life	2,682,522	3.02	3,236,480	3.14	4,420,081	3.54
MBSL	54,757	0.06	40,996	0.04	40,370	0.03
Sanasa Life	537,171	0.61	694,430	0.67	1,247,855	1.00
SLIC	14,820,025	16.69	19,257,997	18.70	21,975,988	17.62
Softlogic Life	12,531,283	14.11	15,660,116	15.20	20,053,302	16.07
Union Life	11,647,757	13.12	13,108,605	12.73	15,406,161	12.35
Total	**88,787,041**	**100**	**103,000,228**	**100**	**124,752,003**	**100**
Growth Rate (%)	**10.58**		**16.01**		**21.12**	

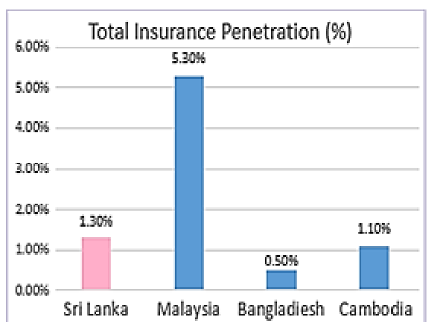
Company - wise Market Share of Gross Written Premium - Long Term Insurance Business
for the Year ended 31st December 2021

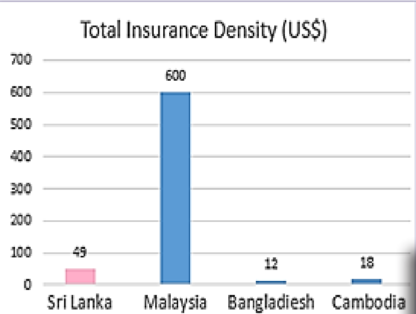


Global and Regional Comparison:

In terms of world ranking in 2021; as SwissRe Sigma report No4/2022"; the Sri Lanka total insurance industry ranked at **80**, Non-Life insurance industry ranked **81** and Life insurance industry ranked **65**







Annual Reports

Annual Report 2020
9/21/2022

Annual Report 2019
7/16/2021

Annual Report 2018

Statistical Review

A **FAIR Reinsurer** with **POWER** and **ENERGY**

Capacity
Sizeable underwriting capacity for Oil & Energy related business and Nuclear Energy.

Geographical Scope
Risks located in Afro-Asian countries and Russia.
Europe (For Nuclear Energy risks only)
and their interests worldwide

Acceptance Scope
Business offered by Members, Non-Members, Brokers and all other insurers and reinsurers.

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

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

A.M.Best Rating

On 7.4.2022 A.M.Best reaffirmed the Syndicate the following ratings:

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

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

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

Incorporated in the Kingdom of Bahrain by Law Decree 7/1999

Managed by

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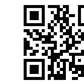
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Book Review

Earthquake Insurance in Turkey: History of the Turkish Catastrophe Insurance Pool

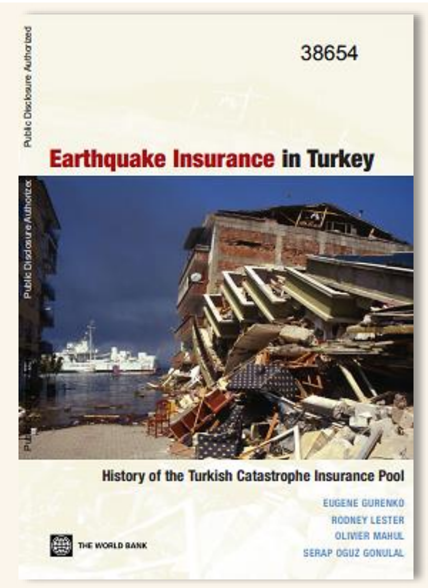
Edited by: *Eugene Gurenko; Rodney Lester; Olivier Mahul; Serap Oguz Gonulal*

Publisher: *World Bank*

Publishing Date: *2006*

Number of Pages: *116*

Keywords: *Disaster Risk; Disaster Insurance; Disaster Mitigation; Disaster Relief; Earthquake Insurance*



Abstract:

This publication, Earthquake insurance in Turkey, is an exposition of the dangers faced by Turkey as it is located in one of the most active earthquake (EQ) and volcanic regions in the world on the one hand, and, on the other hand, the efforts that Turkey is making to alleviate the social and fiscal disasters that are caused when these calamities do strike. The persistent potential for large-scale disasters has led to the establishment of the Turkish Catastrophe Insurance Pool (TCIP) in 1999. The main rationale for the creation of TCIP was a very low level of catastrophe insurance penetration among households.

The authors stress that the four principal objectives of the program are to (1) provide earthquake insurance coverage at affordable but actuarially sound rates for all registered urban dwellings, (2) limit the government's financial exposure to natural disasters, (3) build long-term catastrophe reserves to finance future earthquake losses, and (4) encourage risk reduction and mitigation practices in residential construction.

The book points out that the program has reduced significantly the government's fiscal exposure to EQ risk. In five years, the TCIP transformed itself from an unknown and controversial government-sponsored program to one of the most trusted brand names in the Turkish insurance industry.

Moreover, it has led the World Bank to rethink the roles of ex-ante risk management relative to ex-post donor support. In this context, the World Bank supported Turkey's earthquake insurance program to establish and expand national catastrophic risk management and risk transfer capabilities.

The authors conclude that the TCIP's success has brought it worldwide recognition. Inspired by the TCIP's example, more than a dozen countries, including China, Colombia, Greece, India, the Islamic Republic of Iran, Italy, the Philippines, Romania, and nine island states of the Caribbean have begun technical and legislative preparation of catastrophe insurance programs.

PDF

Catastrophe Risk Financing in Developing Countries: Principles for Public Intervention

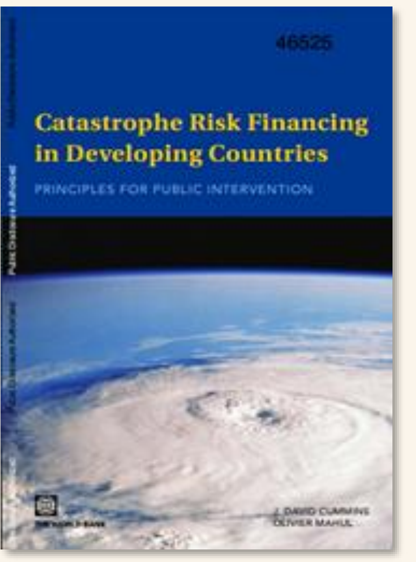
Edited by: *J. David Cummins; Olivier Mahul*

Publisher: *World Bank*

Publishing Date: *2009*

Number of Pages: *268*

Keywords: *Risk Management; Risk Transfer; Catastrophe Reinsurance; Agricultural Insurance; Crop Insurance*



Abstract:

Public intervention in catastrophe insurance markets, supported by the donor community and the World Bank, should be country specific.

Low-income countries, where the domestic non-life insurance market is undeveloped, should focus in the short term on the development of sovereign catastrophe insurance solutions and the promotion of public goods related to risk market infrastructure.

These countries are usually not mature enough for the promotion of catastrophe insurance pools for private homeowners.

Middle-income countries, where the domestic non-life insurance market is more developed, should help the private insurance industry offer market-based catastrophe insurance solutions to homeowners and to small and medium enterprises, including the agricultural sector.

This book offers a framework, with lessons drawn from recent experience, guiding principles for public intervention and potential roles for donors and International Financial Institutions (IFIs). These lessons are expected to be used in developing affordable, effective and sustainable country-specific catastrophe insurance programs.

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