AFRICAN RE-/INSURERS WEATHERING A HIGH DEGREE OF UNCERTAINTY CAUSED BY COVID-19

Zurich, 25 November 2020 – According to the Africa Insurance Pulse 2/2020, “Growth perspectives of African re-/insurance markets”, launched today by the Africa Insurance Organisation (AIO), the COVID-19 pandemic posed severe challenges to Africa’s insurers. In response to the various types of lockdowns and social distancing measures decreed by the African governments, they had to assure continued customer service, staff health, adequate liquidity management and operational resilience. For the remainder of 2020 and 2021, Africa’s insurers expect further uncertainty, as they state in this year’s edition of the African Insurance Pulse, which Faber Consulting conducted on behalf of the AIO. As in the past, this year’s 5th annual edition is based on diligent market research and in-depth interviews with insurer, reinsurers and brokers operating in Africa. The Africa Insurance Pulse 02/2020 is sponsored by Africa Re, the leading pan-African reinsurance company and the largest reinsurer in Africa.

Jean Baptiste Ntukamazina, Secretary General of AIO, said: “The COVID-19 pandemic has caught the global insurance industry largely unprepared. Those African insurance and reinsurance companies with a strong capital base, and the ability to distribute their products digitally were better equipped to weather the impact of the pandemic. This will enable them to capitalise faster on the business opportunities arising after the crisis.”

Capital & digitalisation as unique strategic differentiators in times of COVID-19
Those African insurers with a strong capital basis and already established digital distribution channels were better prepared to deal with the impact of the COVID-19 crisis. The combination of both factors protected them against the worst effects of the crisis and enabled them to maintain their client relations even during lockdown periods or in a social-distancing environment. As these insurers strengthened their market position during the pandemic, they will be even stronger in capturing those business opportunities, rising in the future.

Regulators focused on protecting African policyholders
Following the outbreak of the pandemic, regulatory authorities have given re-/insurers more time to cushion the impact from the sudden contraction of the economy. At the same time, they encouraged re-/insurers to pay claims promptly. Those re-/insurers operating according to risk-based capital regimes were better prepared to deal with the COVID-19 crisis.
Dr. Corneille Karekezi, Group Managing Director and Chief Executive Officer, Africa Re said: “Insurance regulation in Africa has significantly improved in recent years. Various regulators have pushed ahead, mandating the implementation of risk-based capital schemes or capital increases, as well as improved operations and risk management. At the same time, we witness rising protectionist efforts to retain insurance and reinsurance premiums locally. Regulators should assure that in particular in times of economic distress, insurers have access to the highly rated risk capacity and expertise that well-diversified reinsurer provides. Indeed, some recent catastrophes, including large natural catastrophes or man-made claims in South Africa, Cameroon and Lebanon, and in addition to the threat presented by COVID-19 potentially related claims remind us that some exposures can quickly exceed local capacity.”

The pandemic will change the African insurance landscape & reduce top-line of insurers
Senior executives predict that COVID-19 will lead to an accelerated consolidation of Africa’s insurance industry, eliminating those companies with limited resources and fragile processes. Such a shake-out would strengthen the continent’s insurance markets and benefit policyholders through higher security and a drive for more innovation.

Executives expect an improved risk awareness among consumers, leading to higher demand for insurance products. However, executives are concerned about the impact of COVID-19 on the income of African households. They expect that policyholders will limit their spending and favour savings for fear of a reduction in income or job losses. This, in turn, will affect their insurance purchasing behaviour, ultimately leading to a decrease in premium income.

Andreas Bollmann, Partner at Faber Consulting, commented: "Despite the impact from COVID-19, Africa’s insurers and reinsurers remain confident of the fundamental growth potential of their market. They believe that the effects of the pandemic will be offset by an accelerated digital transformation, supportive government and regulatory policies, and increased risk awareness by consumers.”

For the remainder of 2020 and 2021, Africa’s insurance executives expect a continuation of the high level of uncertainty. Re-/insurers have to maintain adequate solvency, ensure operational resilience and remain responsive to customer needs. In 2020 insurers introduced large-scale transformative investments to redefine their core value proposition, optimise operations, update technology and to build a workforce for the future. In 2021 they have to continue on this path of strengthening their competitiveness and thus contributing to a more robust marketplace.
ABOUT FABER CONSULTING

Founded in 2008 and based in Zurich, Faber Consulting supports its clients in researching and analysing their business environment, developing and implementing a distinct strategic profile and effectively communicating with their key stakeholders. We focus on organisations from the financial services industry, mainly insurance and reinsurance companies. Our services proposition is based on our partners' in-depth sector expertise and senior management experience gained in the Americas, Asia, the Middle East and Europe.

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ABOUT AFRICAN INSURANCE ORGANISATION

Established in 1972 in Mauritius, the African Insurance Organisation (AIO) is a non-governmental organisation recognised by many African governments. Following the headquarters’ agreement with the Government of Cameroon, the Permanent Secretariat of the AIO was set up in Douala. The AIO pursues the objective of developing a healthy insurance and reinsurance industry in Africa and promoting inter-African co-operation in insurance. Currently, the AIO has 362 members, 342 of them from 47 countries in Africa and 15 international associate members from 9 countries.

For more information on African Insurance Organisation, please visit african-insurance.org.

ABOUT AFRICA RE

Established in 1976 by 36 member states of the African Union (AU) and the African Development Bank Group (AfDB), the African Reinsurance Corporation (Africa Re) is the leading reinsurance company in Africa and the Middle East.

In 2019, Africa Re premium income stood at US$ 845 million while its shareholding capital was US$ 975 million.

Africa Re is a pan-African financial institution whose shareholding is split between African shareholders (75%) and non-African investors (25%).

For more information on Africa Re, please visit africa-re.com.