



SUBSTANCE IS
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MEDIA INFORMATION

AFRICAN INSURERS SEE INCREASING IMPACT OF THE CONTINENT'S DISPROPORTIONATE EXPOSURE TO CLIMATE CHANGE

Zurich, Switzerland, 29 June 2022 - Africa will be disproportionately affected by climate change, according to the newest edition of the Africa Insurance Pulse. African insurers, reinsurers and brokers will play an important role in assessing and managing the impact of global warming on the continent, according to the annual survey presented today at the 48th Conference and General Assembly of the African Insurance Organisation in Nairobi, Kenya. The sector is well positioned to work closely with governments and partners to mitigate and protect the African societies and economies against the consequences from climate change.

Jean Baptiste Ntukamazina, Secretary General of the Africa Insurance Organisation, said: "Extreme weather events such as droughts, floods, storms and cyclones are clearly evident in Africa. These occurrences will increase in frequency and intensity across the continent. Africa's exposure to natural disasters and climate change is disproportionately high, not least because of urbanisation and economic growth, but also because of low adaptive capacity and limited resources to prepare for and manage the aftermath of disasters. Through analysis, underwriting, investment and advice, our sector is helping to understand the complexities of climate change, working with policymakers to reduce its impact and create new opportunities, particularly in the renewable energy sector."

Africa's macroeconomy to be significantly impacted by extreme weather events
According to the Africa Insurance Pulse, produced by Zurich-based Faber Consulting, developing countries in Africa are particularly vulnerable to the effects of climate change due to their low adaptive capacity and widespread poverty.

Across East and West Africa, climate change is forecast to affect GDP per capita by about 15% by 2050 under severe warming scenarios. In Northern and Southern Africa, the negative impact of climate change on GDP is estimated at 10% and in Central Africa, around 5%. Service and industrial sectors are more vulnerable to extreme rainfall and flooding than agriculture. These negative impacts could affect Africa's ability to cope and adapt to evolving extreme weather events and climate change risks.

Insurers name flood and drought as the top two climate risks in Africa

The report, based on interviews with senior executives from insurers, reinsurers and brokers operating in Africa, finds that floods and droughts are the two most common climate risks for African insurance markets. Simone Lauper, Partner at Faber Consulting, adds: "Increasing urbanisation in Africa means that the catastrophe risk profiles of African countries are shifting from predominantly rural areas, where drought and food security are the biggest challenges, to urban areas, where floods, cyclones and earthquakes are the biggest risks."

Insurers also noted a significant increase in the frequency of climate risks, particularly tropical cyclones in Mauritius, Madagascar and Mozambique, as well as floods in West and East African countries, and forest fires in North African countries and hailstorms in South Africa. Furthermore, insurers see an increase in the severity of extreme weather events, especially tropical storms and floods. In addition, respondents observed a sharp increase in values in urban areas, which contributes to the rising cost of claims after disasters.

Awareness of climate change is on the rise in Africa. It is most pronounced at government level, followed by businesses and consumers. However, the increased awareness has not yet translated into a visible surge in demand. While penetration of commercial insurance to protect businesses from climate change is higher, it remains very low among consumers in Africa, due to a combination of affordability, awareness and accessibility. Most respondents have noted rising prices for weather risks in African insurance markets over the past three years and expect these to continue to rise over the next 12 months. Capacity among primary insurers has increased, while it has remained largely stable among reinsurers, while terms and conditions have tightened.

To conclude, respondents agreed that climate change also creates new opportunities for the insurance industry, especially given the generally low insurance penetration. Andreas Bollmann, Partner at Faber Consulting, said: "Compared to the global average rate of 3.3%, Africa's non-life insurance penetration in 2020 was only 1.8%. Coming from this very low base, the potential for growth across the continent is immense." Further business opportunities are emerging from the steep rise in renewable energy investment in Africa as the continent seeks to detach itself from its dependence on fossil fuels, work towards carbon neutrality and take advantage of the fact that Africa receives more hours of bright sunshine than any other region.



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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 aims to develop a healthy insurance and reinsurance industry in Africa and promote inter-African co-operation in insurance. The AIO has currently 354 members from 48 countries in Africa and 16 international associate members from overseas.

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