



SUBSTANCE IS
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MEDIA INFORMATION

AIO SHINES A COMPELLING SPOTLIGHT ON ENABLING THE RE/INSURANCE INDUSTRY TO DO MORE TO SUPPORT AFRICA'S DISASTER RESILIENCE

Zurich, 4 June 2024 – As a risk expert and risk transfer solution provider, the re/insurance industry has the potential, if enabled, to support Africa in building its resilience to disaster risk, according to the 2024 edition of Africa Insurance Pulse. This report, which is full of actionable insights for policymakers, regulators and re/insurance industry practitioners, was launched today at the 50th Conference and General Assembly of the African Insurance Organisation (AIO) in Windhoek Namibia.

Jean Baptiste Ntukamazina, Secretary General of the AIO, said: "By placing insurance at the heart of disaster preparedness strategies, and with appropriate regulatory support, the insurance industry can help to ensure that Africa's communities and economies thrive. Using insurance to build disaster resilience is essential and a critical step in our collective efforts to build a safer and more resilient Africa."

Africa has the highest vulnerability to natural disasters

Africa is the world's second-fastest growing economic region and has forecasted real GDP growth values for 2024 and 2025 that exceed the projected global averages. However, the continent faces a wide range of natural and man-made disasters, and is highly exposed to disasters linked to extreme weather and climate hazards which threaten food security, ecosystems and economies, and exacerbate displacement, migration and conflicts over diminishing resources. According to the IPCC Sixth Assessment Report, for example, climate change has reduced Africa's agricultural productivity by 34% since 1961.

The impact of natural disasters on Africa is compounded by Africa's high vulnerability to natural disaster risk – the highest of all continents - a vulnerability that reflects complex and interconnected factors that vary by region; a study based on the INFORM Risk index, for example, found that vulnerable groups, human hazard and lack of infrastructural coping capacity respectively explain 75%, 70% and 42% of disaster risk in Africa.

Another key point stressed in the AIO report is that natural disaster risk is often transnational, for example, as the report was being compiled, the Horn of Africa and Southern Africa were experiencing

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their worst droughts in over 40 years, and East Africa was experiencing extreme floods triggered by persistent heavy rainfall.

Collaboration – with the re/insurance industry as a central player - is vital for robust disaster risk management

Given the urgent and vast challenges faced by the African continent, robust, integrated disaster risk management is essential. However, this effort is hindered by inadequate funding and insufficient risk and loss data for effective risk modelling and decision-making. Together with the fact that natural hazards transcend national borders, these challenges underscore the need for collaborative regional and international risk mitigation strategies involving multiple parties: governments, international organisations, communities, researchers and the private sector, including the re/insurance industry. Such collaborations enhance disaster resilience and help to mainstream disaster risk considerations into broader policy and decision-making processes.

The re/insurance industry has a central role to play, bringing extensive risk expertise, risk modelling capabilities and innovative risk transfer solutions that also encourage sound risk management practices. In the survey of re/insurance professionals carried out for this AIO report, 91% of respondents reported that their company is supporting disaster resilience building initiatives, with examples including providing advisory services to governments on resilience-building measures, conducting flood mapping to facilitate urban planning efforts, and partnering on a public-private partnership initiative for the uninsured.

Regulator enablement is critical for extending the reach of insurance and building resilience

African insurance regulators are taking actions to strengthen their populations' resilience to disasters and help to close the large protection gap in Africa. However, their ability to strengthen resilience is often hampered by limited mandates and underfunding, as well as by a lack of collaboration; as described above, collaboration is critical, in particular given the transnational, catastrophic nature of many disaster risks.

In the survey conducted for this AIO report, re/insurance professionals identified a number of key recommendations for regulators, including allowing risk pools to spread disaster risk across borders, introducing mandatory insurance, launching consumer awareness campaigns, adapting regulatory frameworks for inclusive and emerging insurance models, establishing regulatory sandboxes to accelerate the introduction of new products and business models, developing and funding solidarity mechanisms for the uninsured and maintaining robust solvency standards.



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An area of particular focus was the need to support regulatory frameworks that facilitate technological innovation to increase accessibility and reduce costs. The survey found, for example, that limited infrastructure and distribution models are a leading obstacle to market development, and that technology-driven distribution models are seen as a promising solution to the challenges of personal lines distribution, enabling reach even to nomadic farmers.

With successful collaboration, clear guidelines and a cross-border mindset, African insurance regulators can strike a balance between protecting consumers and improving the overall disaster resilience of African communities and economies.

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