



## Media Release

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### **4<sup>th</sup> Africa Insurance Barometer: Insurance markets returned to growth**

**According to the 4<sup>th</sup> Africa Insurance Barometer, launched today at the 46<sup>th</sup> Conference & General Assembly of the African Insurance Organisation (AIO) in Johannesburg, South Africa, the continent's insurance markets have returned to a more stable environment following the deep and sudden economic downturn in 2015/16. According to the annual survey conducted among the CEOs of Africa's primary insurers, the industry continues to benefit from its underlying growth story, the resilience that it demonstrated during the downturn and a strengthening regulatory framework.**

"The mood among Africa's insurance executives polled for this year's Africa Insurance Barometer is slightly more cautious than last year," says Prisca Soares, Secretary General of the African Insurance Organisation. "Following the deep recession of 2015/16, insurers are less bullish. The crisis exposed Africa's continued vulnerability to external shocks. In addition, the prospects for the global economy and for global trade have reduced for the near-term future. However, with the availability of technology and an expanding middle class, awareness and the understanding for the benefits of insurance are improving among policymakers, regulators and consumers. This will generate additional impulses for the industry."

In 2017, Africa's insurance premiums increased to a volume of US\$ 66.7 billion, up by 12% from US\$ 59.4 billion in 2016, primarily driven by a strengthening of its main currencies against the US Dollar. On an inflation adjusted-basis, overall insurance premiums increased by just 0.5% in 2017, which was ahead of the growth in advanced markets (-0.6%), but below the 10.3% volume growth for the world's emerging markets. In Africa's largest insurance markets, total real premium growth was positive in Egypt (+9.8%), Namibia (+7.8%) and Morocco (+3.0%), stagnant in South Africa (+0.1%) and negative in Nigeria (-10.5%), Algeria (-2.8%) and Kenya (-2.0%).

Access to skills and talent has turned into a major stumbling block for the further development of Africa's insurance industry. For the first time all interviewees agree that a lack of access to talent limits the industry's ability to innovate, escape pricing pressure and commoditisation, expand distribution, improve risk management and rejuvenate management. Although regulation is generally regarded as greatly improved, protectionist tendencies and a lack in regulatory coordination or harmonisation threaten to hold back development at a time when technology and

the need for scale and efficiency motivate insurers to consider regional expansion.

Africa's insurers are keen to advance their industry and to free themselves from pricing pressure in the more generic lines of business. Technology and new product development are seen as key opportunities to access and appeal to new customers, both in commercial and personal lines, and to address the continent's low insurance penetration. However, insurers remain wary as the commodity crisis from 2015/16 highlighted once again Africa's vulnerability to external shocks. In addition, political risk remains a crucial factor. Although interviewees generally perceived Africa as a far safer place, the social unrest that can quickly erupt around elections and political hand-overs remains a concern.

Premium rates remain under pressure. Interviewees expect a further rate decline in commercial lines, unless regulators intervene and demand risk adequate pricing or higher capital charges. Personal lines are slightly better priced as competitive pressure is not as pronounced while insurers hope regulatory intervention will curb unprofitable pricing. In commercial lines, profitability reflects the poor pricing of the past years, when large losses and claims inflation ate into insurers' margins.

Going forward, insurers will increase their efforts to innovate and expand their distribution. Premium growth is recovering slowly from Africa's commodity crisis in 2015 and 2016. The markets have stabilised, following a wave of consolidation and as higher solvency requirements have weeded out smaller and weakly capitalised insurers. Furthermore, in response to continuously eroding margins some international insurers have reduced their market presence in Africa, while regional African or domestic players have sought to fill this void through market extensions and expanding into neighbouring markets.

The majority of the executives polled believe today's regulation is adequate. In particular the introduction of risk-based capital schemes and a more proactive stance to limit undercutting rate actions are widely applauded. However, regulation is also criticised for poor enactment, lack of support for innovation and too little coordination between markets.

Low financial literacy and inclusion, a lack in education of the benefits of insurance but also poor confidence in the concept itself are perceived as key reasons why consumers are hesitant to purchase insurance. In addition, affordability of insurance products and low disposable incomes are further hurdles to customer protection, while products do not always address consumers' demands. Insurers are investing in talent, products and distribution to access new client segments and to meet the needs of Africa's growing middle class.

Almost 50% of the insurers interviewed pursue a strategy of geographic expansion and aim to capitalise on the overall growth opportunities of Africa's insurance markets. In addition, they seek to build scale and reduce operational costs. However, local regulation does not necessarily facilitate geographic expansion as supervisors in some markets have increased the hurdles for foreign insurers to operate in their market.

### **About the 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 358 members, 342 of them from 47 countries in Africa and 16 associate international members from 9 countries.

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