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Report on: The 40th African Insurance Organization (AIO)
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Abstract

The African insurance market is one of the most important pillars of the development process pursued by the Egyptian insurance companies and a key objective of their decision-makers out, especially after the package of insurance legislations enacted by Anglophone African countries to change the investment climate they have and open the horizons of cooperation after the clear and evident change in the economic policies and investment in Africa. Also, the choice of the appropriate investment opportunities is considered as the password to the success of economic projects, especially in areas that seek to attract more customers as it happens in the insurance sector, in which the investment opportunities relies on the results of actuarial tests and studies of the market's needs and the flow rates on insurance policies issued to cover a specific coverage or a specific phase of an existing project or a planned project to be created for the domestic and overseas markets.

Keywords: African Insurance Organization

1. Introduction

This was confirmed by the 40th AIO Conference sessions, in which the African countries members of the African Insurance Organization participated together with more than 700 personal insurance from various countries around the world, hosted by Egypt under the auspices of Egypt's Ex. Prime Minister, during the period from May 26 to 29, 2013, under the theme of "The role of African Insurance Industry to support the economic development of African countries".

With the end of the closing ceremony, Egypt became the AIO President, for the current session 2013-2014 represented Mr. Abdel Raouf Kotb, Chairman of the Insurance Federation of Egypt, for the second time since the end of the nineties, succeeding Sudan.

2. Conference agenda, and mentioned facts

The conference agenda included a number of important themes as:

- The insurance industry impact on the development and prosperity of the economy in African countries, the challenges facing the insurance industry,
- Health insurance requirements,
- Investment portfolio management in African countries, and
- Modern applications in the field of alternative energy insurance.

There is a great hope in the continuation of the Egyptian Government's support for the AIO, as Egypt is the main supporter among this economic investments' - both direct and indirect - momentum, because the size of the African investment in Egypt is safe, especially after the African companies have dealt with the Egyptian Reinsurance company of years – before it's merging with Misr Insurance Company.

Despite the fact that Egypt is facing unstable political conditions, there is no need to worry about the economic investment climate.

The 40th AIO Conference, which is held for the second time in Egypt, hosting the continent companies specialized in the insurance sector including all sections and services provided to customers reflect the true spirit of development sought by the companies' owners, due to Egypt's advanced positions in international insurance rankings.

The cooperation with the Egyptian companies will open the field to enhance the competitiveness of the insurance companies in Africa, particularly as the rates of growth of this sector amounted to 40% of the total investment in the heart of the continent, in addition to the value of the insurance reinforcements that reached nearly \$ 6 billion to cover a very small percentage of customers in this large continent which does not exceed 2%.

The market and legislation climate in Egypt will work on attracting different segments of the companies operating in the African market, especially after the insurance sector is turned to be a major player in the development, despite the growth rates decrease in Egypt in the recent period reaching 3% after hitting a 4% due to political events, the insurance companies have succeeded in extracting the policyholders' rights from foreign reinsurance companies.

The initial indicators insurance sector indicate a surge of up to 8% as an expected growth rate during the next three years, the Egyptian legislature has taken into account the foreign companies' interests and rights, especially the companies working on increasing growth and make covenants partnership between per-border investments more compatible and organized in accounting standards.

The close investment relationship between the Egyptian and African markets since the fifties is working on deepening economic opportunities between the two sides, but the development of the sector and the different legislation delayed the documentation of contracts between both markets, except some few deals that relied initially on reinsurance and certain modest transactions.

The increasing demand on the sector in both markets committed the companies and agencies to increase its stake in order to benefit from different experiences and make profits that keeps customers and at the same time working to promote such kind of investments regarding that the insurance companies, federations, and authorities get the confidence of their customers who buy different insurance policies with their commitment to choose the most appropriate investments with the defined percentages of capital to achieve safe returns without any influence on the liquidity that will allow customers' compensation in case of risk occurrence.

Also, assets and liabilities of each company should be linked as they work to determine the size of investments in which various budgets will be invested, with the need to choose between the real estate market or the funds deposited in the stock market in the form of shares, bonds, or treasury bills, taking into account that there is no way to ignore the serious investment opportunities, if any.

Egypt is a promising market and its insurance industry is strong, that's the reason behind Arab, African, and foreign countries' care about this promising market and their work to stimulate investment indicators around it, because it is a main backer and supporter of the region development, especially that the Egyptian investment and insurance competencies succeeded lately in catching several successful investment opportunities in foreign, Arab, and African markets, reflecting careful and specific actuarial study of the investment's objectives and incentives after measuring risk and preparedness.

The size of the African investment in the insurance sector is expected to reach nearly \$ 16 billion by the year 2016 by expecting the customers' number to reach 600 million customers compared to their current number of only 350 million clients.

The insurance future of the African continent is promising an investment boom enough to move the Egyptian companies to another mode in case Egypt makes many deals, and allowed its companies to open branches in African countries characterized by heavily population census and the poverty and weakness of the provided services, especially in the south of the continent, as wealth and untapped resources in Africa open the appetite of insurance investors and encourage them to seize the opportunities and invest in it, taking into consideration that there are geographical dimensions which make the partnership projects between Egypt and the countries of the African continent inevitable for several reasons.

Though existing challenges delay the African insurance sector development, but their resources and wealth are one of the most important catalysts in supporting the launch and head to invest in such a market, particularly that Egypt depends on the Chinese market and the Euro countries for its imports alleged, and we have to face the risk of investing in Africa and find solutions with the responsible there instead of escaping to other markets.

The insurance sector's activity in the African continent reached \$ 66 billion representing the total premiums paid by the end of last year 2012, as an increase from \$ 63 billion in 2010, compared with \$ 68 billion in 2011, and the insurance sector represents 4.5% of the African continent's GDP which is a high percentage compared to the international rates, due to higher insurance rates on major projects, especially in the oil ones in countries like Nigeria and South Africa,

considered as one of the most advanced countries and the size of the insurance sector to the GDP represents a larger proportion than that.

The African insurance sector is considered as one of the most promising sectors in the future due to the African continent's wealth and promising opportunities for investment in infrastructure and huge investment projects.

The insurance industry in the African market is facing many challenges and obstacles, including the need for international expertise to benefit from them in the search for new channels to portfolio management on which mainly depend the insurance companies, in addition to the African reinsurance industry's lack to a lot of experience, which emphasizes the need to search for partnerships in the reinsurance field and to pay attention to the cross-border markets.

The African markets is one of the emerging markets that need form the insurance companies to offer new products to commensurate with the circumstances and the financial capabilities of their clients, they therefore need reinsurance international experience, with the necessity of training and the use of insurance and investment experts through signed contracts, and the need to have enough capital in addition to transparency regarding information and the importance of modernizing and reviewing relations and agreements between companies.

Egypt has a great and vital role in the insurance industry development, and reinsurance companies in the world play a key role in the insurance industry through some different regulations and therefore should African companies in the insurance industry benefit from the international experience to apply to the local markets.

There is a correlation between renewable energies and the insurance industry in any country in the world, the African continent is considered as the richest continent in mineral resources, thus there are new techniques in the field of renewable energy related to insurance industries, companies' insurance premiums during the past few years are estimated at about \$ 50 billion.

How renewable energy can be a driver for economic development. There is a need to know what is going on in the world in terms of renewable energy, solar and wind, investments in renewable energy has reached around \$ 100 billion spent in the U.S. last year, while that of the Middle East Center is still too late.

90% of the investments were done in the solar and wind sector and how Africa is ripe for development. In 2011, Africa and the Middle East combined only accounted for US\$5.5 billion out of a global pot of more than \$250 billion.

We can say that there are new business opportunities and innovative insurance solutions for renewable energies and new technologies paved the way for development.

It is required for African insurers to determine appropriate economic policies for these conditions, to gain international experience in the reinsurance field, insurance in Africa became complex with the change in the field in which reinsurance companies operate and the insurance companies suffer from constraints and restrictions, also the globalization has changed economic and social relations between countries and companies become in need to a rearrange because the

players' number in the market increases with the increase of the companies' suffering from many difficulties.

The African companies are suffering from many problems, of which the most important is the low funding levels because of the high risks associated with the work of those companies.

The insurance companies that seek reinsurance contracts choose advanced rated companies, which are not available in African companies that do not get good deals of reinsurance operations in addition to its underwriting capacity weakness; and companies cannot cover the risks.

In 2009, the reinsurance proportion was more than 21%. Which emphasizes the role of the finance companies to pump investments in African reinsurance companies, and these tools are used by foreigners in collecting capital and we must work to meet and face these challenges in order to increase the capacity of these companies.

There are other challenges facing African reinsurance companies represented in their competition with international insurance companies, which achieved good results when it has worked with some companies, and it will serve as a tool to attract investment, with the need to go beyond geographical boundaries and attract the insurance operations and skills development, as the African manpower are not sufficiently eligible in addition to the African brain drain.

The experiences' exchange between the regions is considered as good to fill the lack of skills gap, through organizing relations development workshops and conferences between universities as well as research and studies which are the basis for achieving resources, but the current insurance and reinsurance form is weak despite Africa's achievement of significant progress in the areas of cellular phones, the Internet, technical education, and technology. Developing the risk management system is a must together with sticking to microinsurance renaissance and development which has an utmost importance, and the reinsurance companies should benefit from the development prospects in Africa through population insurance, as well as the insurance companies necessity to meet challenges and losses they incurred, and to focus on resources, expertise, training and reinsurance to face the economies' basic needs in order to achieve economic and social progress.

3. Conclusion

Finally, we can conclude by saying the message coming from the 40th AIO annual conference was that risk managers have a key role to play in bringing insurance to Africa and with it new jobs and a boost to the economy.

This event was launched with a call for insurers to help Africa reach its potential through support for new infrastructure projects, as insurance has a critical role in supporting investors' initiatives by protecting their time and money on large scale infrastructure projects. Without such projects, Africa will continue to be held back from reaching its full potential.

The challenge is in finding the premium capacity and technical knowledge and support within Africa, because too often, investors looked to outside the continent rather than to local interests. This matter can be resolved by keeping premiums and handle it inside in order to be able to hire

more people locally. As business builds in Africa, insurance interests have to be prepared not just to receive the premium but to handle the claims, including potentially large losses.

4. Comments about the conference

The lack of proper infrastructure was the major problem preventing African countries from achieving the needed growth. He said infrastructure built before independence by colonial masters was mostly designed to transport raw materials from the point of production to foreign countries.

Now, it was time for better infrastructure to be put in place by African countries. Egypt itself was planning to build economic corridors linking Egypt and the rest of Africa, from Egypt to Khartoum, Addis Ababa and South Africa.

Egypt was well positioned to join other African countries in fighting poverty and corruption as it affected the growth of development in Africa.

At the conference, insurance figures for Africa were announced, with insurers across the continent generating a premium income in excess of US\$66.3 billion in 2011. Non-life business accounted for \$21.7 billion representing 7.1%, while the life aspect of the business contributed \$44.6 billion, representing 1.2% of world premium income during the year under consideration.

Meanwhile, Abdel Raouf Kotb, President of the AIO and the Insurance Federation of Egypt (IFE), added his belief that Africa is the continent of the future with numerous growth opportunities. "Africa is becoming the continent of the future and the world is carefully following and actively participating in the development of Africa and many have identified our continent as the main source of future growth, opportunities and profitability.

"The African economic boom is set to go from strength to strength with the continent outpacing the global average gross domestic growth (GDP). The main challenge is to ensure that this growth reflects on the average citizens and that the riches of our countries have the direct effect of alleviating more Africans out of poverty and tackling inequality," Mr. Kotb said.

While the continent has reason for optimism, Mr. Kotb warned: "Let us not underestimate the challenges before us. Our continent continues to depend on external demand making us susceptible to global economic slowdowns, particularly in China and the euro zone.

"Furthermore, Africa faces many domestic risks such as youth unemployment; political upheavals, low insurance penetration and severe weather just to mention a few. The insurance and reinsurance industry has a pivotal role to play to ensure that these risks are properly identified and managed in order to ensure the sustainable development of our countries."

Greater cooperation was encouraged by Ex. AIO President Hassan El-Sayed Mohammed, who also saw opportunities for growth within the insurance industry too. He said that with around 600 providers in 52 markets generating only 1.6% share of the global insurance business, Africa's true potential had yet to be realized.

Words from sessions:

“Africa is becoming the continent of the future and the world is carefully following and actively participating in the development of Africa and many have identified our continent as the main source of future growth, opportunities and profitability...”

ADBEL RAOUF KOTB – PRESIDENT of AIO & IFE

“There were some very interesting and intense discussions at the AIO conference on the role of the insurance industry to support economic development, e.g. by transferring technology risks from renewable energies from investors’ balance sheets to the insurance market.

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“In many countries there are already promising initiatives underway to develop wind and solar energy. Political stability and a stable and reliable legal framework in African countries are key to attract international investors in renewable energy projects...”

ERNST RAUCH - MUNICH RE

Policy Seminar on Microinsurance Regulation for Supervisory Authorities

The 4th Policy Seminar on Microinsurance Regulation for African supervisory authorities took place back-to-back to the AIO Annual Conference and General Assembly.

The seminar brought together supervisory authorities and selected industry players from over 45 countries to discuss innovative business models in microinsurance and to explore the regulatory and supervisory challenges around these models. The dialogue between industry players and supervisors offered a platform to exchange experiences in enhancing regulatory knowledge and promoting access to insurance. Discussions centered on how to shape these approaches, and how to foster innovation and outreach while assuring that responsible insurance products are offered at an affordable cost to the excluded segments of the population.

The seminar covered "the Innovative business models in microinsurance" on the first day two sessions talking about "Access to Insurance Initiative’s (A2ii) New Strategy", and "Innovative Business Models".

While the second day covered "Regulatory issues around innovative business models in microinsurance" in its two sessions "Insights into the Egyptian Insurance Market", and "Regulatory Risks of Diverse Business Models".

References:

- To download the conference presentations, please visit the conference website: <http://www.aio2013.org/Sessions.php>
- To download the seminar presentations and report, please visit the seminar website: <http://www.a2ii.org/events/events-2013/seminar-on-microinsurance-regulation-for-supervisory-authorities-may-2013/agenda-and-presentations.html>