IMPROVING INSURANCE UNDERWRITING CAPACITY (Environment)

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Menu

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12 YEARS "STOCK TAKE" OF THE INDUSTRY

- Overall market has been growing in terms of number of insurance companies, Gross Written Premium and Net Written Premium
- Cash and Carry and premium payment directly to carriers
- e payment of premium and claims
- Retention levels has increased
- Profitability ???
- Minimum Capital Requirement has increased ???
- Talents and skills to a smaller extent depending on the roles.
- Penetration levels is stagnant

NON LIFE

	JIC			AIC			HAAI			TANZANIA MARKET		
	2005	2006	2007	2005	2006	2007	2005	2006	2007	2005	2006	2007
Gross Premium	9,976	11,017	15,835	11,839	13,032	15,655	16,636	22,671	28,132	90,970	105,268	135,991
Assumed Re	-				-	-	-	-	-	-	-	-
TanRe	-					-	-	-	-	-	-	-
Local Re	-					-	-	-	-	-	-	-
Overseas	5,584	5,160	6,315	6,452	6,061	8,050	9,871	14,796	19,250	48,391	53,857	71,649
Net	4,392	5,857	9,520	5,387	6,971	7,605	6,765	7,875	8,882	42,579	51,411	64,342
Over All Total	4,392	5,857	9,520	5,387	6,971	7,605	6,765	7,875	8,882	42,579	51,411	64,342
% Pr locally by insurer	44%	53%	60%	46%	53%	49%	41%	35%	32%	47%	49%	47%
% pr retained locally	44%	53%	60%	46%	53%	49%	41%	35%	32%	47%	49%	47%

Industry Profitability

2005	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
107	99	95	98	99	102	106	107	102	101	101	102	108

2004
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NON LIFE

	JIC			AIC			HAAI		
	2015	2016	2017	2015	2016	2017	2015	2016	2017
Gross Premium	79,968	87,578	76,926	58,909	60,255	55,776	47,685	48,648	35,780
Assumed Re	1,888	2,081	3,943	887	1,358	1,408			
TanRe	4,597	10,212	6,982	5,984	6,329	6,410	3,348	3,376	2,946
Local Re	4,386	6,956	3,601	1,986	1,612	1,364	3,576	3,552	2,650
Overseas	39,892	38,361	37,401	23,568	21,652	18,902	26,165	27,268	18,901
Net	32,981	34,130	32,885	28,258	32,020	30,508	14,596	14,452	11,283
Over All Total	43,852	53,379	47,411	37,115	41,319	39,690	21,520	21,380	16,879
% Pr locally by insurer	41%	39%	43%	48%	53%	55%	31%	30%	32%
% pr retained locally	55%	61%	62%	63%	69%	71%	45%	44%	47%

	TANZANIA				KENYA				UGANDA	
	2017	2016	2015	2014	2017	2016	2015	2014	2016	2017
Gross Premium	541,155	570,515	535,860	481,877	124779	121710	110475	99176		
Assumed Re	15,143	15,283	14,307	12,104						
TanRe	50,829	48,926	43,645	42,537						
Local Re	34,551	34,023	28,541	21,978						
Overseas	159,813	186,686	165,909	164,728	37289	32606	29077	27536		
Net	311,105	316,163	312,072	264,738	87,490	89,104	81,398	71,640		
Over All Total	411,628	414,395	398,565	341,357	87,490	89,104	81,398	71,640		
% Pr locally by insurer	57%	55%	58%	55%	70%	73%	74%	72%	59%	59%
% pr retained locally	76%	73%	74%	71%	70%	73%	74%	72%		

LIFE

	SANLAM			ALLIANCE LIFE			JIC			METRO		
	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017
Gross Premium	40,179	46,043	48,413	10,169	9,143	9,715	3,466	5,088	6,194	577	984	1,017
Assumed Re	-	-	-	-	-	-	-	-	-			
TanRe	1,994	3,470	4,399	1,275	1,166	1,228	347	509	619	67	135	99
Local Re	164	34	101	-								
Overseas	3,192	3,429	2,509	2,563	2,345	2,509	882	1,153	1,510	77	148	245
Net	34,829	39,110	41,404	6,331	5,632	5,978	2,237	3,426	4,065	433	701	673
Over All Total	36,987	42,614	45,904	7,606	6,798	7,206	2,584	3,935	4,684	500	836	772
% Pr locally by insurer	87%	85%	86%	62%	62%	62%	65%	67%	66%	75%	71%	66%
% pr retained locally	92%	93%	95%	75%	74%	74%	75%	77%	76%	87%	85%	76%

	TANZANIA				KENYA				UGANDA	
	2017	2016	2015	2014	2017	2016	2015	2014		
Gross Premium	80,843	74,249	68,691	60,420	56581	62064	73519	82807		
Assumed Re	-	-	-	-						
TanRe	6,345	5,280	3,682	3,023						
Local Re	101	34	164	176						
Overseas	6,698	7,074	6,714	5,563	3862	4983	5666	5860		
Net	67,699	61,861	58,131	51,658	52,719	57,081	67,853	76,947		
Over All Total	74,145	67,175	61,977	54,857	52,719	57,081	67,853	76,947		
% Pr locally by insurer	84%	83%	85%	85%	93%	92%	92%	93%	86%	84%
% pr retained locally	92%	90%	90%	91%	93%	92%	92%	93%		

CAPITAL ADEQUACY, RETENTION , SOLVENCY MARGINS AND PROFITABILITY

- Increasing minimum capital seems by many Regulators as the panacea to increase underwriting capacity
- Obvious retention level is a function of capital adequacy but there are other factors like profitability of the business
- If an insurance company is not making profit it keeps in danger its solvency margin and indeed additional capital will be required sooner than later
- At least over five markets have increased minimum capital requirement in the past 5 years (Kenya, Uganda, Zambia, Malawi and Rwanda) to increase market retentions, provides protection to policyholders and deter minnows to enter into the market
- As a result we have seen in most of these markets there has been mergers, acquisitions and some of the companies have exit from the group

CAPITAL REQUIREMENTS FOR FEW COUNTRIES

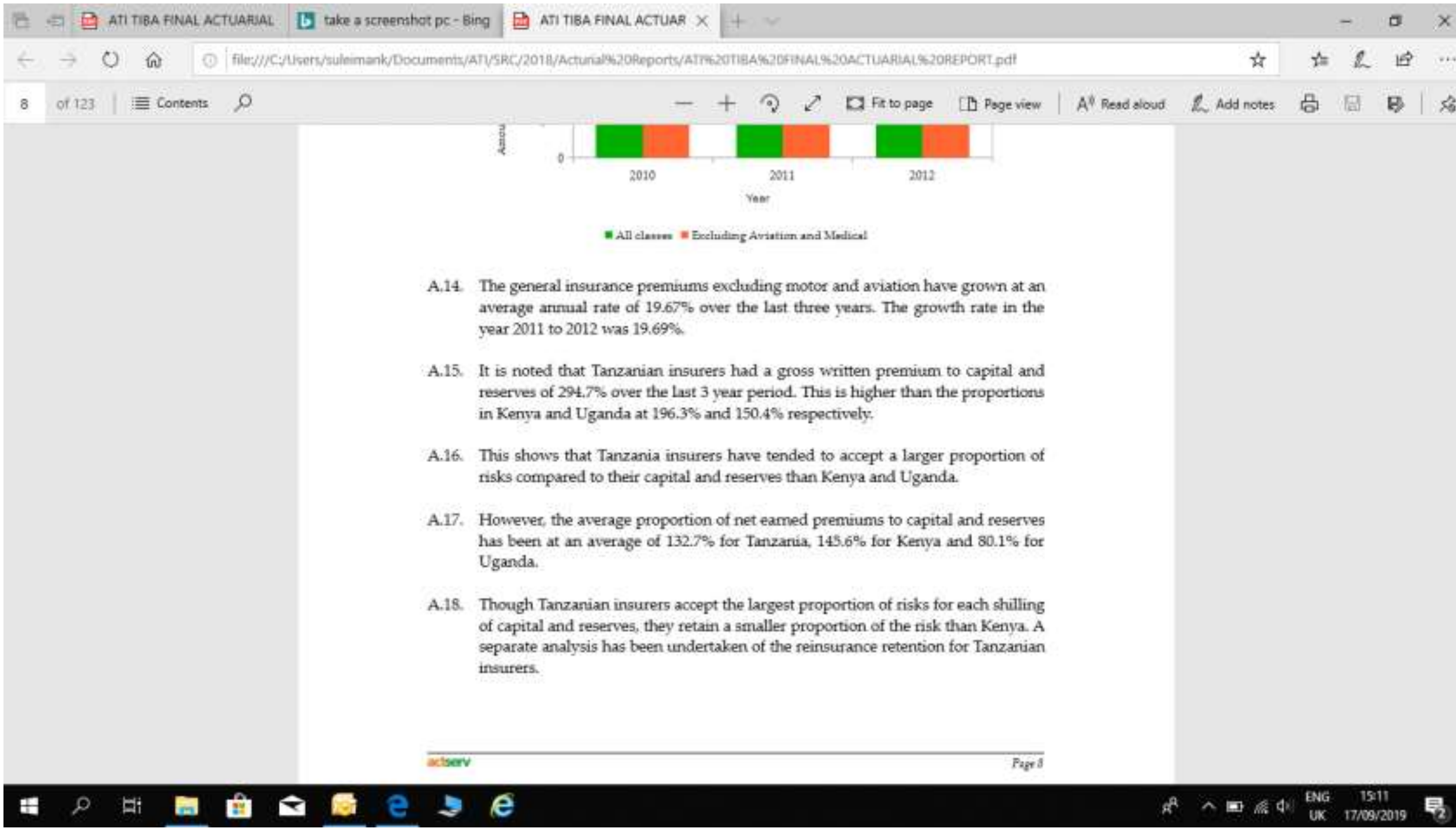
NON LIFE CAPITAL REQUIREMENT

KQ	MAL	TZ	UG	ZAM	RW
$5.8M	$1M	$1.18M	$1.63M	$0.76M	$3.25M

LIFE CAPITAL REQUIREMENT

KQ	MAL	TZ	UG	ZAM	RW
$1.5M	$1.36M	$1.18M	$1.22M	$0.9M	$2.2M

2014 ACTUARIAL COMMENTS ON RETENTION



A.14. The general insurance premiums excluding motor and aviation have grown at an average annual rate of 19.67% over the last three years. The growth rate in the year 2011 to 2012 was 19.69%.

A.15. It is noted that Tanzanian insurers had a gross written premium to capital and reserves of 294.7% over the last 3 year period. This is higher than the proportions in Kenya and Uganda at 196.3% and 150.4% respectively.

A.16. This shows that Tanzania insurers have tended to accept a larger proportion of risks compared to their capital and reserves than Kenya and Uganda.

A.17. However, the average proportion of net earned premiums to capital and reserves has been at an average of 132.7% for Tanzania, 145.6% for Kenya and 80.1% for Uganda.

A.18. Though Tanzanian insurers accept the largest proportion of risks for each shilling of capital and reserves, they retain a smaller proportion of the risk than Kenya. A separate analysis has been undertaken of the reinsurance retention for Tanzanian insurers.

REGULATIONS

- Reinsurance Regulations (implemented in EM with limited retention and high reinsurance dependence)

- Domiciled Oriented Regulation – domestically licensed . There are penalties dealing with unlicensed reinsurer. Preferable in stable economies with strong financial markets
- Fully Liberalized Regulation – No proper reinsurance regulations. Domestic insurers are free to choose reinsurers and are responsible for their business. EM is not suitable scheme as substandard reinsurers might be used
- Quality – Oriented Regulation – indirect supervision aiming at monitoring quality of reinsurers (financials , credit rating statements)
- Dividend Restrictions
- No dividend to be distributed unless the solvency margin exceed a certain threshold (more than 150%)

INSURANCE PENENTRATION JINX

- Banca assurance: 17% of Adults population have bank accounts and this is seen as a good option that can increase penetration if and only if another segments of underserved market is targeted
- Micro Insurance target of at least 50% of the adults population should have at least one policy by 2028 seems will propel the penetration provided that the product design is affordable, accessible and easy to understand. There is a discussion going on between ATI and the Regulator on how this would be achieved and one of the item taken in to account is to make a defined proportion top line should include any form of micro insurance product going forward
- Market has not taken seriously the mobile network penetration and to date there is no significant inroads in mobile phone product or digital product
- Currently discussed Direct Sales Force (DSF) should be seen as away to increase penetration and not the way for the Regulator to increase government revenue. Quality peoples and number is required if we are to make serious strides on penetration. Proactive market development need support of the regulator

UNDERINVESTMENT IN LOCAL TALENTS

- Few of the so called multinational insurance companies have programs to develop the local talents. Support is needed from the group to support core function and we know some of these works have management fees attachment.

- Key staff in many organizations are reduced to post office staff . Quality of information passing from the intermediaries to insurers and in turn to Reinsurers do not merit getting preferential terms from the reinsurers particularly on specialized risks

- ATI, TIBA and IIT should be in forefront to organize for local trainings which will up the skill of our peoples

- Shortage of skilled staff is imminent as the companies are struggling to replace a rare talent once he/she leaves the company

RECOMMENDATIONS ON THE WAY FORWARD

- Market Players should always target capital above the statutory minimum capital requirements and should maintain solvency margin. Large Risks, large corporate risks require global risk pool. Negative impact of failure is greater than upside of keeping premium on shore

- Regulator should be flexible in some of the regulations which will stir market penetration. Product approval process may have an unintended disincentive effects

- Players should always try to balance between profitability and added value to the public in terms of products introduced in to the market. Product innovation should be key

- Training , Training and Training. Improve talents, up skill the locals. To this end I will suggest COI to put KPIs to CEOs to ensure certain number of staff at least are trained on Core insurance functions. Skills transfer and development are basics to fixing market fundamentals

CONCLUSION

We have a great opportunity of reaching all the targets we have set. A country of closer to 60M peoples, an average GDP of over 6% per annum, prospects of oil and gas can not wait to see insurance penetration below 1%. 100% retention (though I will not advise), reputable insurance industry to a greater extent run by locals , 50% of adult population by 2028 is all what we can attain if we improve our underwriting capabilities

Thank you

No Questions please