

What role for African reinsurance in light of regulatory developments in some countries?
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Which Place for the African Reinsurance in light of Regulatory Developments in some Countries

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14 February 2017
Marrakech, Morocco

Cross-Border Reinsurance is Necessary

- ❑ Reinsurance is an international (cross-border) business
- ❑ Globally diversifying risk is key to the success of the insurance and reinsurance markets
- ❑ Through cross-border reinsurance, jurisdictions exposed to catastrophe and large losses may benefit from a reduced concentration of insurance risk exposures
- ❑ Optimal regional risk transfer patterns depend on the regional business mix



Protectionism is Necessary in Africa

- ✓ Retention of premiums at national level to finance local economy
- ✓ Development of local markets and expertise through access of local players to underwriting of risks
- ✓ Retention of taxes through taxation of local insurance players
- ✓ Protection of consumers where claims settlement by foreign players may be under threat



Protectionism Menu in Africa

- Legal Monopoly
- **Compulsory Cession**
- No Foreign Capital
- **Compulsory Co-Reinsurance**
- **Domestication of Reinsurance Risks**
- **Withholding Tax on Cross-Border Reinsurance Cessions**
- **Levy on Cross-Border Reinsurance Cessions**
- Right of First refusal for Local Reinsurers
- **Informal Instructions Favouring Local Reinsurers**
- **No Intra-Company Reinsurance**



Regulatory Protectionism Pitfalls

- ❖ Unnecessary Exposure of National Assets (Catastrophes / Large Losses) / Accumulation (Spiral) Risks
- ❖ Poor Security of Covers / Low Financial Strength of Protected Reinsurers
- ❖ Premium Funds Invested in Devaluing Local Assets (equity, bond & property)
- ❖ Low Quality of Service / Lack of Consumer Choice
- ❖ Lack of Innovation / Low Insurance Penetration
- ❖ Anti Competition Practice



African Reinsurers Lack Capital

10 Reinsurers are Adequately Capitalized
SHF / NWP is Between 70% & 100%

19 Companies Traded Comfortably
SHF / NWP is Above 100%

Africa Re holds 33% of 37 Africa-Based Reinsurers

SHF US\$ m	2015	
	No.	Total SHF
Above 500	1	728.63
200-500	3	699.79
100-200	1	169.68
50-100	5	381.70
10-50	13	274.46
Below 10	14	53.89
Total	37	2,308.14

SHF = Shareholders' Funds
NWP = Net Written Premiums
SHF / NWP above 100% is considered to be adequate
In comparison, Middle East Reinsurers trade averagely at 300%

8 Reinsurers Over Trade
SHF / NWP is Below 70%

We Need Balance

Target

- Premiums (65% leave Africa)
- Taxes
- Expertise
- Control



Risks

- Monopoly
- Risk Concentration
- Entitlement Attitude & Complacency of Protected Reinsurers
- Lack of Capacity
- Lack of Innovation

Benefits of Cross-Border Reinsurance

- ✓ Risk Diversification
- ✓ Capacity
- ✓ Expertise

