

Opportunity rising in Africa



The new life insurance markets emerging throughout the African continent present several unknowns, as well as an unusual array of circumstances. Several emerging economy countries with large and growing populations also contain rising middle classes and significant GDP growth rates, and are moving swiftly towards becoming developed economies.

The markets in these countries could potentially provide the greatest risk-reward trade-offs of any life insurance markets in the world. This bodes well for global insurers seeking to establish a presence in these markets, local insurers wishing to expand market share, and reinsurers seeking to enhance the growth and development of these markets.

Africa, however, is not without risk. Increasing competition, regulatory constraints and the greater market volatility means insurers and reinsurers in these markets have very different hurdles to overcome compared to

mature markets. New and emerging markets also generate higher earnings volatility for insurers than mature markets, especially in the early years of market development, requiring companies to hold more capital in order to satisfy solvency requirements. This necessity can hamper growth, as it reduces the amount of capital that can be deployed to strengthen and enhance market presence.

"THE MARKETS IN THESE COUNTRIES COULD POTENTIALLY PROVIDE THE GREATEST RISK-REWARD TRADE-OFFS OF ANY LIFE INSURANCE MARKETS IN THE WORLD."

By removing a portion of risk, reinsurance can help life insurers in Africa stabilise results, enhance capital efficiency, reduce volatility and solvency concerns and enable insurers to focus on business growth.

Global life reinsurers can also offer local and global life insurers in Africa extensive knowledge and expertise. Many have moved incrementally through each level of market

development in other emerging and developing markets as well as mature markets. Reinsurers that understand the risks involved in entering new markets can leverage their strategic experience to help insurers in Africa improve penetration of more traditional forms of life insurance in local populations and provide global best practices in many operational areas.

In addition, global reinsurers can assist insurers in innovating for Africa's fast-expanding mobile communications channel – today, the distribution channel of choice for many financial services companies doing business in Africa and their customers – helping to leverage mobile's distribution capabilities. Reinsurers can also enable enhancement of the more traditional areas of pricing, underwriting and claims.

Most important, however, is that for Africa, an approach is needed that recognises the unique aspects of each of the continent's many insurance markets, taking into account products and distribution as well as evolving demographics and regulation. Life reinsurers with a track record for innovation can greatly assist insurers focusing on Africa and in doing so play a pivotal role in shaping and enhancing Africa's future life insurance markets.



JARED GODWIN,
Business Development Actuary,
Africa, RGA South Africa