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Introduction

Insurance facilitates investment by reducing the amount of capital that businesses and individuals need to keep at hand to protect themselves from uncertain events. Despite its importance for economic development, the majority of African countries lack access to insurance products. Access to insurance only starts to increase quickly in the upper middle income brackets, but with most Africans still just struggling to meet their basic food and other day-to-day needs, insurance is still a long way off. Apart from low income levels, other reasons for low insurance penetration in Africa are:

- Low awareness and understanding of insurance across various population segments;
- People do not trust financial service providers;
- Given the low income levels and how challenging the business environments are, there are not enough incentives for multinational companies to enter African markets and develop the sector;
- There is a lack of reliable information, making it very difficult to assess people's risk;
- The legal and judicial systems are poor;
- There is a lack of human capital and expertise;
- Shallow financial markets make it difficult to raise enough money to capitalise insurance/re-insurance companies; and
- Communities often make use of informal forms of insurance rather than using the services of formal insurers.
- Albeit, this is gradually changing. As we show in this report, the growth in the volume of insurance premiums in Africa has been among the highest in the world over the past few years. An increasing number of foreign insurance companies are also entering Africa's underserved insurance markets. It is especially noticeable that African companies are among the most active investors across the continent. In this report, we will explore which countries' companies are the most active in other African countries.

Africa in a Global Context

According to Swiss Re, the total value of Africa's insurance premiums was just shy of US$70bn in 2013, down 2% from the US$71.35bn in 2012. This means that Africa's share in the global market was 1.5%. The poor performance of Africa on a global stage is particularly noticeable if South Africa is excluded. South Africa accounted for nearly 74% (US$51.6bn) of all African insurance premiums in 2013, with the other 53 countries contributing only US$18.3bn, which is only 0.4% of the global insurance market.

South Africa is particularly dominant in terms of life insurance, accounting for 88.6% of the continent's life insurance premiums in 2013. South Africa has a sophisticated and well-developed life insurance industry; however, the rest of the continent remains a long way behind (see below for further discussion). Life insurance dominated the global insurance market, accounting for 55.3% of all insurance premiums. In South Africa, life insurance is even more dominant, accounting for 81% of all insurance premiums. Outside of South Africa, however, life insurance is a small player on the continent, accounting for only 29.5% of total insurance premiums. Life insurance premiums in the rest of Africa totalled a mere US$5.4bn in 2013 (0.2% of the global market).

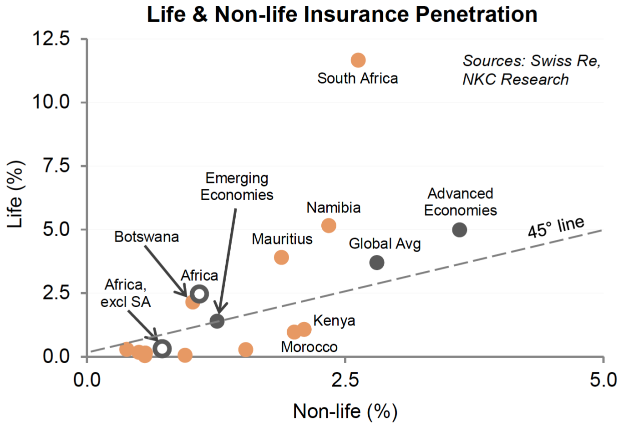
Table 1: African Insurance Market, 2013

Country	Insurance Premiums ($bn)	Population (millions)	Density (Premiums per Capita, $)	GDP ($bn)	Penetration (Premiums as % of GDP)
South Africa	51.6	53.2	970.8	366.2	14.1
Morocco	3.2	32.9	96.8	103.8	3.1
Egypt	1.9	84.7	22.3	271.4	0.7
Nigeria	1.6	169.3	9.7	521.8	0.3
Kenya	1.5	41.8	36.4	55.2	2.8
Algeria	1.5	37.9	40.1	208.8	0.7
Angola	1.1	23.7	47.4	124.2	0.9
Namibia	1.0	2.2	437.2	13.1	7.2
Tunisia	0.8	10.9	77.3	47.0	1.8
Mauritius	0.7	1.3	570.3	11.9	6.0
Other Countries	4.9	628.7	7.9	652.0	0.8
Total	**69.9**	**1,086.4**	**64.4**	**2,375.6**	**2.9**
Africa Excluding South Africa	***18.3***	***1,033.3***	***17.7***	***2,009.3***	***0.9***

Source: Swiss Re

Life and Non-Life Insurance

Although incomes are an important determinant of the development of the insurance industry in general, it is of particular importance in the life insurance segment. People will only start to think about long-term savings once they fulfil their short-term needs, which means that life insurance is not an affordable option for most people on the continent. Other reasons for the life insurance industry's underdevelopment are a lack of data on mortality and longevity as well as a lack of actuarial skills. Life insurance remains particularly underdeveloped outside of South Africa.



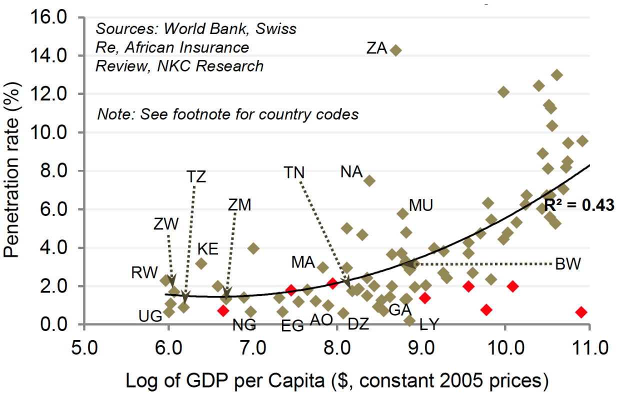
Life insurance premiums in Africa totalled US$47.2bn in 2013, of which South Africa accounts for 88.6%. After excluding South Africa, the life insurance penetration rate in Africa is only 0.27%, while the density is only US$5 per person per year. Non-life insurance is slightly more popular, with a penetration rate of 0.64%. On average, Africans outside of South Africa spent US$12.5 on non-life insurance products in 2013. This is still much less than elsewhere in the world. In fact, according to a report by the World Bank, 17% of adults in developing economies have health insurance; however, only 3% of people in sub-Saharan Africa and the Middle East and North Africa region have health insurance. A slightly higher share (6%) of people in Africa and the Middle East has agricultural insurance. This is however still extremely low given how susceptible farmers are to bad weather.

The accompanying graph shows the penetration rates for life and non-life insurance in a selection of African countries and compares these with the averages for emerging and advanced economies, and the world. It suggests that South Africa's life insurance market relative to its non-life insurance is unusually large. In fact, South Africa's life insurance industry accounts for 81% of all insurance premiums in the country. The only other African countries that have larger life insurance segments than non-life segments are Namibia, Mauritius and Botswana. (In the graph, these three countries lie above the 45-degree line.)

Main Determinants of Insurance Penetration

According to an article by Imara, insurance companies in Africa traditionally target only the richest 5% of the adult population, with most poor people having no insurance. Even in South Africa, which has a well-developed insurance market, less than 30% of low-income adults have insurance. This presents an opportunity for micro-insurers to sell low-cost products to the poor. In the past few years, the advent of mobile money has also brought a new dimension to Africa's insurance industry. As most Africans have a mobile phone, buying insurance on a mobile phone is an exciting growth area as it offers a more affordable way for Africans, especially in remote regions, to gain access to insurance products. It only needs the cooperation of telecommunications companies, banks, and insurance companies.

The accompanying graph depicts the log of real GDP per capita (in 2005 US dollar terms, on the x-axis) and the insurance penetration rate (on the y-axis) for a selection of countries. A second degree polynomial line was fitted to the data to get some idea of which insurance markets underperform relative to their overall level of economic development and which markets over-perform. The selection consists of 20 African countries and 72 other countries (including both developed and developing economies) [1].



The most striking conclusion is that South Africa's insurance penetration rate is among the highest in the world and well above the level one would expect it to be given its GDP per capita. South Africa has a very well developed financial system, which is generally an important driver of growth in the insurance industry. According to the World Economic Forum's 2013/14 Global Competitiveness Index (GCI), South Africa is ranked seventh in the world (out of 144 countries) in terms of financial market development. Other African countries that perform well on that index are Kenya (ranked 24th in the world), Mauritius (ranked 26th), and Namibia (46th). It should not come as a surprise therefore that these countries are all above the trend line in the graph and are the best-performing African countries after South Africa in terms of insurance penetration. In contrast, the countries that have very low penetration rates relative to their GDP per capita such as Libya, Algeria, Angola and Gabon have underdeveloped financial sectors. Indeed, Algeria, Angola and Libya are ranked in the bottom eight globally in the financial market development pillar of the GCI, while Gabon is ranked 105th in the world.

Another notable result from the comparison between penetration rates and GDP per capita is that countries in the Middle East and North Africa (MENA) region perform very poorly. The Middle Eastern countries (which are marked in red in the graph) generally have low penetration rates, and this is true even for the oil-rich countries like Qatar, Bahrain and the United Arab Emirates (UAE) that have well-developed financial markets. Apart from Morocco, the North African countries also perform very poorly. This is largely because conventional insurance is forbidden in Islam. A 2011 report by the World Bank entitled 'What Drives the Development of the Insurance Sector?' also finds evidence that penetration rates in Muslim countries are lower than elsewhere, ceteris paribus. Takaful, which is compliant with Sharia law, is therefore an important component of the insurance industry in Muslim countries. Religion should therefore be an issue to consider for insurance companies looking to move into many parts of West and North Africa, where Islam is one of the main religions.

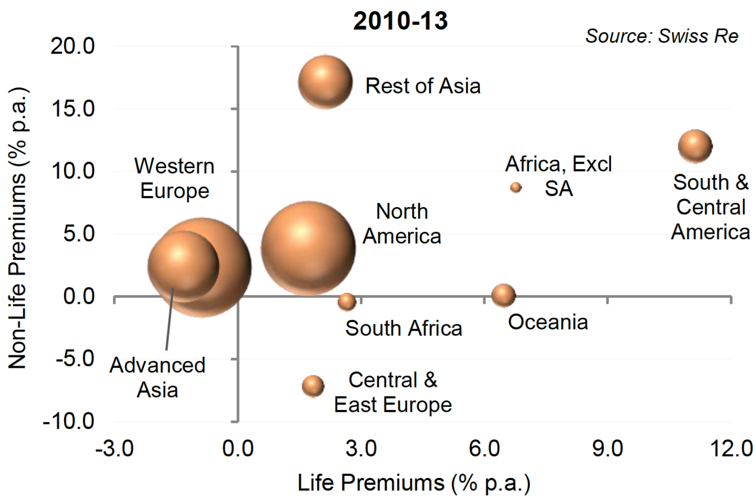
The World Bank report referred to above, as well as many other studies on this topic, found that inflation is a key determinant of the demand for insurance. Inflation erodes the value of insurance policies, thereby making them less attractive. Although inflation has declined significantly in Africa in recent decades, it is still higher than in most regions in the world, and many countries in Africa continue to struggle with high rates of inflation. According to data from the International Monetary Fund, inflation averaged more than 10% p.a. in 16 African countries over the last decade. The insurance sectors in countries like Egypt, Nigeria and Ghana may have strong long-term growth prospects, but for that to be realised, more prudent fiscal and monetary policies must be implemented to reduce the magnitude and volatility of inflation so that long-term savings are encouraged. Returning to the earlier graph, one sees that South Africa, Namibia, Mauritius, Kenya and Morocco are all located above the trend line, which implies that insurance penetration in these countries is higher than one would expect if only considering GDP per capita.

1 In the graph, the following country codes were used (from left to right): RW: Rwanda; UG: Uganda; ZW: Zimbabwe; TZ: Tanzania; KE: Kenya; ZM: Zambia; NG: Nigeria; EG: Egypt; MA: Morocco; TN: Tunisia; AO: Angola; NA: Namibia; ZA: South Africa; MU: Mauritius; GA: Gabon; LY: Libya; BW: Botswana.

High Growth Markets

Global insurance premiums increased by only 2% p.a. from 2010-13, including a contraction in 2013. Insurance premiums in advanced economies, in particular, increased by only 1.2% p.a. over the 2010-13 period. With these markets already well-developed and tending toward saturation, the impetus for growth has mainly come from emerging and frontier markets. During the 2010-13 period, the value of insurance premiums in emerging markets grew by a robust 6.6% p.a. Total African insurance premiums grew by only 3.5% p.a. over this period; however, the figure is constrained by South Africa, which saw growth of only 2% p.a. Insurance premiums in the rest of Africa expanded by 8.1% p.a., which makes it one of the fastest-growing regions in the world along with South & Central America (which grew by 11.6% p.a.).

The accompanying graph shows the growth in life and non-life insurance premiums in different world regions over the 2010-13 period. South Africa and the rest of Africa were also separated due to the big differences between the two. The sizes of the bubbles reflect the size of the total insurance market (life and non-life combined); the x-axis shows the average growth rate of life insurance premiums per region; and, the y-axis shows the growth in non-life insurance premiums. Only two regions experienced strong growth in both the life and non-life segments of the market, namely South & Central America and Africa (excluding South Africa). The rest of Asia (which covers most of Asia, with the exception of five advanced economies) performed exceptionally well in the non-life segment, but slowly in the life segment.



Drivers of African Growth

Despite the fact that the value of insurance premiums in South Africa grew by only 2% p.a. in 2010-13, the country was still the main contributor to Africa's insurance sector growth. Due to its large share in the African market, South Africa still contributed 1.54 percentage points to Africa's total insurance sector growth over this period. Astonishingly, the increase in South Africa's insurance premiums over this three-year period was roughly equivalent to the entire size of Africa's second-biggest insurance market, Morocco. Specifically, South Africa's insurance market increased by US$3bn over the 2010-13 period. As shown in the table, this is roughly the size of the Moroccan market, and much higher than countries like Egypt and Nigeria, both of which have much larger populations than South Africa.

Apart from South Africa, the other main contributors to African insurance growth were Morocco, Kenya, and Algeria, while Nigeria and Angola also contributed notably. Although Mauritius had one of the fastest-growing insurance sectors, the fact that it is a comparatively small market meant that it contributed slightly less than 0.1 percentage point to Africa's total insurance sector growth. In the following section, we will analyse these growth drivers more closely.

Table 2: Insurance Premiums by Country ($bn)

	2010	2011	2012	2013	*Share of African Premiums (%)*	Avg Growth, 2010-13 (%)	Contribution to African Growth, 2010-13 (ppt)
South Africa	48.58	53.03	54.37	51.60	*73.79*	2.04	1.54
Morocco	2.60	2.84	3.02	3.18	*4.55*	6.96	0.30
Egypt	1.72	1.71	1.79	1.89	*2.70*	3.21	0.09
Nigeria	1.34	1.55	1.48	1.64	*2.35*	7.03	0.15
Kenya	1.00	1.03	1.28	1.52	*2.17*	15.05	0.27
Algeria	1.09	1.19	1.38	1.52	*2.17*	11.62	0.22
Angola	0.83	1.00	1.00	1.12	*1.60*	10.63	0.15
Namibia	0.89	1.00	1.01	0.95	*1.36*	2.31	0.03
Tunisia	0.78	0.80	0.81	0.84	*1.20*	2.80	0.03
Mauritius	0.57	0.67	0.67	0.72	*1.03*	8.00	0.08
Other Countries	4.11	4.45	4.55	4.95	*7.07*	6.37	0.43
Total	**63.49**	**69.27**	**71.35**	**69.94**	***100.00***	**3.27**	**3.27**
Africa excl. South Africa	***14.92***	***16.24***	***16.99***	***18.33***	***26.21***	***7.11***	***1.74***

Source: Swiss Re

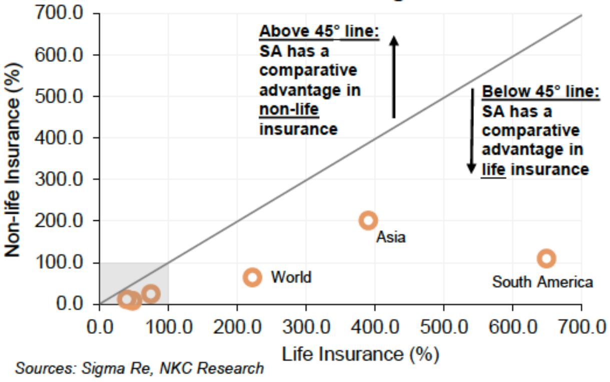
Country Analysis

South Africa

South Africa is arguably the only African country that has a well-developed insurance market – both in the life and non-life insurance segments. The country had a penetration rate of 14.1% in 2013, which is among the highest in the world. The country's life insurance sector in particular is considerably ahead of the rest of the African continent. Apart from its sophisticated financial sector, reasons for the country's high insurance penetration rate include the following:

- A high level of competition within the insurance market;
- Despite the relatively low GDP per capita compared to global standards, there is a sizable group of wealthy people that can afford insurance;
- People trust the local financial providers enough to allow them to manage their long-term savings; and
- A high level of risk awareness, which is perhaps intensified by the high level of crime and car accidents in the country.

South Africa's Insurance Density Relative to Other World Regions



Sources: Sigma Re, NKC Research

Despite its high penetration rate, South Africa's insurance industry still has scope for further growth. Its premiums per capita (known as the density ratio) were US$971 in 2013, still well behind the average for advanced economies of US$3,579. To put this differently, South Africa's density ratio was 27.3% of that of advanced economies. South Africa is however closer to advanced economies in terms of life insurance and well behind in terms of non-life insurance: its life insurance density was 39.1% of that of advanced economies and only 11.1% for non-life insurance. Looking more broadly, this ratio is higher for life insurance than non-life insurance than any major world region. Relative to the global average, South Africa's life insurance density ratio is more than twice (222%) the world average, while its non-life insurance density is only 64% of the world average. The difference is particularly noticeable against South America: South Africa's life insurance density is 6.5 times that of South America, while the two regions' non-life insurance densities are almost equal. All of this suggests that South Africa's life insurance market may well be close to saturation, but that its non-life insurance market still has significant scope for expansion.

Over the long term, though, even the life insurance market will have further room for growth: a significant proportion of the population is in the low income bracket and cannot afford life insurance; economic development should lift millions more South Africans into the middle class, which in turn will boost the country's life insurance density further. In recent years, though, insurance sector growth has been slow. According to Swiss Re, the total value of insurance premiums grew by only 2.5% in 2012, before contracting by 5.1% in 2013. Over these two years, life insurance premiums inched up by an average of only 1% p.a., while non-life premiums grew by 2.1% p.a. With South African economic growth slowing in recent years and the insurance market nearing saturation, South Africa's insurance companies have ventured into the rest of Africa. Indeed, the rest of Africa contributes to a sizable proportion of South Africa's major insurers' new business, as is shown in the accompanying table. According to Business Day, Sanlam invested around R5bn in its African operations in 2012-13. The news agency also noted that Sanlam has R2.5bn (US$200m) to spend on acquisitions and expansion in the rest of Africa in 2015. Moreover, Old Mutual and MMI Holdings (which is a merger between Momentum and Metropolitan) have R1.4bn and R1bn, respectively, to spend on expansions in the rest of Africa.

Table 3: South African Insurers in Rest of Africa		
Insurer	**Share of Company's New Business in Rest of Africa**	**Number of African Countries where Company Operates**
Sanlam	22%	12
Old Mutual	14%	8
MMI	6%	12
Liberty	3%	15
Source: Business Day		

Tracing South African Insurers' African Expansion

South African insurance companies have a strong presence across Southern and East Africa. As shown in table 4, all four major insurance companies have operations in Botswana, Malawi, Namibia and Swaziland, while interest in Lesotho, Mozambique, Zambia and Zimbabwe is also strong. Further afield, the key targets for South African insurers are Kenya, Nigeria and Ghana.

One of **Sanlam's** most recent acquisitions in Africa came in June 2014, when it acquired a 63% stake in Rwanda's Soras Group. This company has a 35% market share in Rwanda's insurance industry. This takes Sanlam's operations in the rest of Africa to 12 countries. This was not the company's only deal in East Africa: in July 2014, Sanlam bought a stake in Niko Insurance's Tanzanian operations. In February 2015, Sanlam also finalised the purchase of a 40% stake in Ghana's Enterprise Group. According to CNBC Africa, the chief executive of Sanlam Emerging Markets said "[Ghana's] insurance market has grown at an average rate of 26% p.a. over the past five years. The investment diversifies our financial services interests in Ghana to also include general insurance lines like motor and household insurance." Sanlam is also looking to expand further. In particular, Sanlam Emerging Markets Corporate Development Executive Thabied Majal said: "I think the obvious gaps for us … We have to be in Zimbabwe. It's a matter of when. It's finding the right asset at the right price. I think Zimbabwe hopefully we will do it in the short-term in the next year or two and Angola in the medium term."

Although **Old Mutual** operates in eight other African countries, the bulk of its African operations are in Namibia. In 2013, 59% of gross sales were in Namibia and another 20% in Zimbabwe. The company has also had a presence in East Africa since 1998 via its subsidiary Old Mutual Kenya. In January 2015, Old Mutual expanded its footprint in Kenya by buying a 60.7% stake in UAP Holdings, which is one of the biggest insurance companies in East Africa. Following the acquisition, Old Mutual Emerging Markets CEO Ralph Mupita said that "[t]his transaction is key to building our East African business," as UAP has subsidiaries in Tanzania, Uganda, Rwanda and South Sudan. In 2014, Old Mutual also bought a 67% stake in Faulu Microfinance Bank, which provides micro-insurance to a large customer base. By 2013, Faulu already had over 100 outlets and more than 400,000 customers.

MMI Holdings has a sizable presence in the rest of Africa via Metropolitan Life. In February 2014, MMI expanded further by buying a significant majority stake in Kenya's Cannon Assurance, which has been in business for 40 years and has offices in four main Kenyan cities. MMI had already been operating in Kenya for eight years through Metropolitan Life Kenya. However, MMI sees East Africa as a key growth region and therefore further expansion can be expected. According to the CEO of MMI, Nicolaas Kruger, "[t]he acquisition of Cannon represents an important milestone to fast-track MMI's organic growth strategy in Africa and strengthens MMI's presence in East Africa."

Another major South African insurer, **Liberty**, established a new branch called Liberty Africa in 2008 to expand into Africa. At present, the company has operations in 15 other African countries. On 15 April 2015, Business Day reported that Liberty plans to expand its business in Nigeria (which is currently focussed only on health insurance) by offering asset management services. Such services are already provided in Ghana through its Stanbic Investment Management division.

Table 4: South African Insurers' Operations in the Rest of Africa					
Country	**Sanlam**	**Old Mutual**	**MMI**	**Liberty**	***Region***
Kenya	56% stake in Pan Africa	Subsidiary - Old Mutual Kenya; 61% stake in UAP Holdings	Subsidiary - Metropolitan Life Kenya; Cannon Assurance	Subsidiary - Liberty Kenya Holdings	*East*
Tanzania	64% stake in African Life Assurance; 41% stake in NICO Tanzania	-	Subsidiary - Metropolitan Life Tanzania	Subsidiary - Strategis Insurance	*East*
Uganda	100%-owned Sanlam Life Insurance Uganda; 61% stake in Niko Uganda	-	-	Subsidiary - Liberty Life Uganda	*East*
Rwanda	63% stake in Soras	-	-	-	*East*
South Sudan	-	UAP South Sudan	-	-	*East*
Zambia	70% stake in African Life Assurance; 62% stake in Nico Zambia	-	Subsidiary - Metropolitan Zambia	Partnership with Madison Life Insurance	*Southern*
Mozambique	Stake in Nico Mozambique Vida	-	Subsidiary - Metropolitan Mozambique	Partnership with Emose	*Southern*
Botswana	54% state in Botswana Insurance Holdings	Subsidiary - Old Mutual Botswana	Subsidiary - Metropolitan Botswana	Subsidiary - Liberty Holdings Botswana	*Southern*
Zimbabwe	-	Subsidiary - Old Mutual Zimbabwe	-	Partnership with Eagle Insurance	*Southern*
Namibia	100%-owned Sanlam Namibia	Subsidiary - Old Mutual Namibia	Subsidiary - Metropolitan Namibia	Subsidiary - Liberty Life Namibia	*Southern*
Mauritius	-		Subsidiary - Metropolitan Mauritius	Partnership with Swan Group	*Southern*
Malawi	25% stake in Nico Holdings	Subsidiary - Old Mutual Malawi	Subsidiary - Metropolitan Malawi	Partnership with Medical Aid Society of Malawi	*Southern*
Swaziland	Sanlam Investment Management Swaziland	Subsidiary - Old Mutual Swaziland	Subsidiary - Metropolitan Swaziland	Subsidiary - Liberty Life Swaziland	*Southern*
Lesotho	-	-	Subsidiary - Metropolitan Lesotho	Subsidiary - Liberty Life Lesotho	*Southern*
Nigeria	35% stake in FBN Insurance	Subsidiary - Old Mutual Nigeria	Joint ventures between UBA Bank and Metropolitan Life	Subsidiary - Total Health Trust	*West*
Ghana	49% stake in Enterprise Life Assurance Company	Majority stake in Old Mutual Ghana (Previously operated as Provident Life Assurance)	Subsidiary - Metropolitan Ghana	Partnership with Med-X Health Systems	*West*

Sources: Company websites, NKC Research

Kenya

Although still well behind that of South Africa, the Kenyan insurance market is one of the most sophisticated on the continent. As of 2013, total premiums reached just over US$1.5bn, having maintained an annual average growth rate of 15.5% from 2005 to 2013. While some markets may have slowed down more recently, Kenya has also continued to grow by 15.1% p.a. in 2010-13. In 2013, the penetration rate reached 2.75% which represents a marked increase from 2.46% in 2011. According to the Insurance Regulatory Authority (IRA), there were 49 licensed insurance companies in the country in 2014. The sector is fairly competitive with no particularly large companies. Although full foreign ownership is not allowed, various foreign companies – mainly from South Africa – have entered the market in recent years.

As is the case across most of the African continent, the Kenyan insurance market is dominated by non-life insurance. According to Sigma Re, non-life insurance premiums accounted for 65.8% of total premiums. This figure is however down from 69% in 2005, as life insurance premiums have grown at a quicker tempo since then. In fact, the life segment grew by 16.9% p.a. Almost 41% of the non-life insurance market is for car insurance (almost 24% of the total is commercial car insurance and 17% is private car insurance). Medical insurance accounts for a further 22% while fire insurance accounts for just over 10% of the market. At only 0.94% in 2013, Kenya's life insurance penetration is very low due to the high level of poverty in the country. Even so, the penetration rate is still better than in most other African countries – the average life insurance penetration rate for Africa outside of South Africa is a mere 0.27%. In recent years, Kenya has seen the entry of a few foreign market players, which is a very encouraging sign for future development. Pan Africa Life, which is one of the market leaders in the life insurance segment, has a strategic relationship with the South African company, Sanlam. Metropolitan, Old Mutual and Liberty have also entered the market.

According to the IRA, the strong performance of the Kenyan insurance sector in recent years is owed to *"improved governance and stability, favourable demographics, improving business environments, rising middle class and urbanisation and growing ties to emerging economies" Business Monitor International (BMI) is also upbeat about the sector's prospects, stating: "We see a bright future for Kenya's insurance industry, with domestic economic growth driving expansion of both the life and non-life sectors. The market place is competitive and highly fragmented, and as such there are opportunities for larger regional and global firms to expand their reach via local acquisitions. Meanwhile local firms continue to expand via the use of innovative distribution channels and the introduction of new, market targeted, products."*

Another reason for Kenya's relatively high penetration rate is that the financial sector is reasonably well developed. Furthermore, Kenyan companies have a strong capacity for innovation. Indeed, in the most recent GCI, Kenya was ranked 33rd out of 144 countries globally and first in Africa for companies' innovative capacity. This seems to be particularly relevant for the insurance sector: according to BMI, Kenyan companies have been more innovative than those in other African countries. For example, Kenyans can pay premiums via their mobile phones through platforms like M-PESA and Airtel Money. An innovative product launched in 2009 was Kilimo Salama, whereby farmers can insure their investments such as fertiliser and seeds against severe weather conditions. The Kilimo Salama project is a partnership between the Syngenta Foundation for Sustainable Agriculture, UAP Insurance, and the telecoms operator Safaricom. It offers farmers with protection against extreme drought and excessive rain – even for plots of as small as one acre. Pay-outs are based on how severe the insured event is, which in turn is measured at the nearest weather stations. These weather stations are part of the reason why this project is so innovative. The weather station uses solar power and computerised gauges to send out data on rainfall levels, sun and temperature every 15 minutes. Each farmer with insurance is linked to the nearest weather station, with nobody being further than 20 kilometres away from a station. If the insurance company detects that the weather has been sufficiently bad in a specific region, then all farmers linked to that weather station get a pay-out; no claims have to be filed. This saves costs for all parties, particularly the insurer. Regarding contributions, rather than paying a premium directly to the insurance company, UAP, farmers pay a premium of about 5% on their inputs when buying it. Their stockists then register their insurance and the farmer gets an SMS notification. Since most Kenyans have access to mobile phones, this system works well. Furthermore, if there is a pay-out then the farmers receive an M-PESA payment (i.e. mobile money) on their mobile phones.

This significantly reduces the cost for the insurance company, as it eliminates costs such as sending experts to the farms to provide crop estimates, especially since the farms are small and farmers would not be able to afford extensive crop coverage. As noted by the New York Times in an article about this product, "[w]riting tiny policies is only feasible if the process of signing people up, verifying claims and making pay-outs is nearly free." And, thanks to the electronic weather stations and mobile phones, it is sufficiently cheap. The use of bancassurance (where an insurance company rides on a bank's list of customers to provide insurance services through a strategic relationship with the bank) is also on the rise in Kenya, enhancing the existing channels of distribution of insurance products.

These innovations have brought success to UAP. In fact, its after-tax profits have risen consistently from KSh0.21bn in 2009 to a record high KSh1.81bn in 2013. The value of its non-life insurance premiums across East Africa increased from KSh4.27bn in 2009 to KSh11.32bn in 2013, an annual increase of 27.6%. The company currently has operations in Kenya, Tanzania, Uganda, Rwanda, the DRC, and South Sudan. The most recent addition was Tanzania, following the acquisition of a 60% stake in Century Insurance Company in June 2013. In February 2015, CNBC Africa also reported that UAP plans to expand its business further to Ethiopia, Zambia, Mozambique, Angola, and possibly Gabon. The company's managing director noted: "We are always analysing these markets. We want to enter at least one market every 18 months, so if we can enter more markets that is better for us." He added: "It is sometimes not easy particularly in this region to find insurance companies willing to be acquired or they are also looking to acquire or possibly bring in capital without necessarily giving up control. We do not necessarily insist that we must have control." UAP's success has also caught the attention of international insurers: in January 2015, Old Mutual bought a 23.3% stake in UAP. At the time, Old Mutual Emerging Markets CEO Ralph Mupita said: "This investment is another significant step in delivering the Group's aim of becoming an African financial services champion. UAP is an ideal and complementary fit to our existing Kenyan businesses and we look forward to deepening and broadening our relationship in the future." In addition to the 23.3% stake in Old Mutual acquired in January 2015, UAP is in the process of increasing its ownership to 60.7% subject to the ongoing regulatory approvals.

Another Kenyan company that is very active in East Africa is the British-American Investments Company (Britam). The company first ventured outside of Kenya in 2010 when it incorporated Britam Uganda; since then, it also established subsidiaries in South Sudan in 2012 and Rwanda in 2013. Furthermore, in December 2013, Britam completed the acquisition of Real Insurance Company, which has subsidiaries in Kenya, Tanzania, Mozambique and Malawi, thereby giving Britam a further foothold in the East African market. In 2013, the Britam's CEO said that "regional expansion is only logical; East Africa is a big market of 140 million people. If you really want to grow you must follow the lead of government [in East Africa cooperation] and open operations in these countries." In 2013, Britam also increased its ownership of Housing Finance Company of Kenya Limited, a Kenyan mortgage finance company from 25% to 46%.

Jubilee Insurance is not only Kenya's largest insurance company, but also East Africa's largest insurance company, having already been active in East Africa for many decades. It is currently active in Kenya, Tanzania, Uganda, Burundi, and Mauritius. In March 2015, Ventures Africa reported that Jubilee plans to buyout smaller insurers to expand its business. The company's chairman, Nizar Juma, told the news agency that *"[Jubilee's] aim is to remain number one, particularly in Kenya, where mergers and acquisitions have been happening. There [have been] about five mergers in the past year but we managed to remain number one. We are looking for companies to acquire in the country and region because insurance is dynamic."*

In 2011, the Association of Kenyan Insurers (AKI) also released a strategic plan for the industry for the 2011-15 period. AKI listed the following methods through which this could be achieved:

- Simplifying products and creating innovative new ones;
- Customer education;
- Using social media and technology to reach the untapped lower end of the market;
- Promoting the image of insurers (currently, there is a lack of trust in insurers);
- Improving the functioning of member companies; and
- Modernising the Insurance Act.

Mauritius

Mauritius has one of the most developed insurance industries in Africa thanks to a relatively high level of income, macroeconomic stability, an established financial sector, a business-friendly investment climate, and good economic policy making. According to the Mauritian Financial Services Commission (FSC) there were 12 licensed non-life insurance companies and seven licensed life insurance companies at the end of 2013. The market is fairly concentrated, though. In the non-life segment, the top two companies – Swan Insurance and Mauritius Union Assurance (MUA) – account for 52.7% of total premiums. The top five companies have a market share of nearly 80%. Meanwhile, in the life insurance segment, the biggest company, British American Investment (BAI), has a market share of 48.2%. In April 2015, BAI was forced into administration due to regulatory issues. The next biggest is the State Insurance Company (SICOM) with a market share of 22.7%, while Anglo, which is a subsidiary of the Swan Group, accounts for 20% of premiums. These three companies account for 90.9% of total premiums. Although SICOM started out as a state-owned enterprise, it was privatised in 1988.

According to the Bank of Mauritius's 2013 Financial Stability Assessment, the insurance industry is solvent and well-capitalised. The central bank also noted that "insurance companies that operate with weak solvency margins are being closely monitored". Various foreign companies have an interest in the Mauritian insurance industry. Notably, South Africa's Liberty provides health insurance in partnership with the Swan Group through its Blue Health Cover division, while MMI has a subsidiary in the country called Metropolitan Mauritius. Furthermore, India's state-owned New India Insurance has a subsidiary in Mauritius, while Morocco's Saham and Kenya's Jubilee also have subsidiaries in the Indian Ocean economy.

Mauritian companies have also ventured onto the African mainland. For example, BAI has operations in Kenya and Botswana. Furthermore, MUA completed the acquisition of a 66% stake in Kenya's Phoenix Transafrica Holdings, which in turn gave the company a presence in Kenya, Tanzania, Uganda and Rwanda. MUA also has a subsidiary in Seychelles.

Although the total volume of premiums of US$718m in 2013 is small in absolute terms, the country has a high penetration rate of 6%. Moreover, Mauritius has the second-highest insurance density in Africa after South Africa. Mauritius is also one of only three countries in Africa where the life insurance segment dominates, accounting for 68.1% of the market. Not only is it larger in absolute terms, but the life segment has also been the main driver of insurance sector growth in Mauritius.

Between 2006 and 2013, life premiums increased by 15.2% p.a. from US$182.2m (63.3% of the market) to US$489.5m (68.1% of the market). The government has provided generous tax incentives to encourage the development of the life insurance industry.

Over the 2006-13 period, the non-life market expanded by 11.7% p.a. from US$105.8m to US$229m. According to data from the FSC, car insurance is the largest component in the non-life insurance segment, accounting for 39.2% of premiums in 2013. This segment is supported by the fact that car insurance is mandatory. The market is highly competitive and, according to a report by Capital Market Brokers, claims are paid out quickly. There were however signs of a slowdown in the car insurance market in 2013, with premiums increasing by only 2.2% in rupee terms. The non-life segment as a whole grew by 13.7% in 2013, driven largely by accident & health and property insurance.

Angola

The insurance sector was only liberalised as recently as 2000, which has provided the impetus for strong growth since then. From liberalisation to 2012, the number of insurance companies grew from one to 15. As shown earlier in the report, Angola was also one of the key drivers of insurance sector growth in Africa over the 2010-13 period, with gross written premiums rising by 10.6% p.a. from US$828m to US$1.12bn. Even so, the insurance penetration rate is only 0.86% and very few Angolans actually have access to insurance products. Life insurance is particularly undeveloped: it accounted for only 2.8% of the market in 2012 according to the Insurance Supervisory Institute (ISS), while Swiss Re estimates that the life insurance penetration rate was a mere 0.04% in 2013. The insurance market is dominated by accident, disease & travel insurance (31.5% of total premiums), car insurance (23.8%) and petrochemicals (15.8%).

Few foreign companies have ventured into the Angolan insurance market up to now, with the country's challenging business environment being foremost amongst investors' concerns. One of the few foreign companies entering the market so far was Morocco's Saham Assurance in 2013. The country is however on the radar of various South African insurers due to its large untapped potential. That said, the sharp decline in the oil price since mid-2014 has made investing in Angola an even more daunting prospect, as the government announced foreign exchange controls to prevent a sharp depreciation of the kwanza. Fiscal spending cuts (such as subsidy cuts) will also weigh on consumers' purchasing power and will make it more difficult to save or buy insurance products.

Nigeria

The Nigerian insurance market is underdeveloped and fragmented. Although the number of insurance companies has fallen significantly, there are still 32 non-life insurers, 17 life insurers, and 10 mixed companies, all catering for a total market of US$1.6bn as of 2013. That gives an average of US$28m premiums per insurance company. In comparison, South Africa has 179 insurance companies, but as it serves a market of US$51.6bn, the average company size is more than 10 times bigger than in Nigeria. This means that the country's insurers are too small to manage large risks. Larger companies, such as oil companies, therefore tend to use foreign insurers. The government has, however, set capital requirements for insurers in an attempt to consolidate the sector and increase the capacity of domestic insurance companies to handle large risks. Furthermore, a number of agreements have been signed between banks and telecoms operators in Nigeria, which is set to boost mobile banking services in the country. As has been shown in Kenya, 'mobile money' can have a significant impact on a country's financial access. This in turn also has the potential to support the insurance industry, which can use mobile money for some insurance products.

Apart from being undercapitalised, domestic insurance companies also lack the skills needed to manage specialised risks. According to the CEO of AIICO Insurance, Babatunde Fajemirokun, some other aspects that were holding back the development of the sector are a lack of customer awareness "as people hardly see advertisements" as well as a lack of trust in insurance companies.

According to Swiss Re, total premiums amounted to just over US$1.6bn in 2013, which implies that the country had a penetration rate of merely 0.3% and a density ratio of US$9.7 per capita. As such, access to insurance products in Nigeria is amongst the lowest in the world. Given how undeveloped it currently is, Nigeria's insurance sector still has significant room for expansion in the medium to long term. The government is very optimistic in this regard, having set a target for insurance premiums of N1trn by 2017. This would represent a more than three-fold increase from current levels and an annual increase of around 50% p.a. in local-currency terms. In doing so, the number of policy holders is hoped to rise from three million (about 1.7% of the population) at present to 10 million. The finance minister, meanwhile, hopes to see the penetration rate rising to 1.6% by 2017. Mr Fajemirokun said that the most rapid growth in the insurance sector would come from the retail market (i.e. individuals and families) as opposed to the corporate sector, which currently accounts for 83% of premiums.

Even though the government's target is probably overly optimistic, the growth prospects are still very strong. According to The Africa Report, the Nigerian market "remains a gem" and "the sector represents a real opportunity for fast growth, partly because foreign investors are allowed to purchase 100% of local companies, avoiding the costs associated with setting up greenfield operations." Furthermore, Swiss Re projects that the market will grow to US$6.5bn by 2025, which would represent average annual growth of 12.2% p.a. from 2013. The Africa Report also quoted Fitch Ratings as saying that the consolidation of the Nigerian market will be the next big trend in insurance.

According to Lloyd's, around 60% of non-life premiums in 2012 were for car insurance. Even so, despite there being some seven million vehicles registered in the country at that time, less than a million of these were adequately insured. One way in which the government is looking to increase penetration is through compulsory insurance. Specifically, the following five types of insurance are compulsory: third-party car insurance; builders' liability; occupiers' liability; employers' liability (to protect workers and their families against injury, sickness, or fatality at the workplace); and, health care professional indemnity insurance. According to a report by the Nigerian news agency This Day Live, most of these segments have flourished since they were made compulsory. Apart from builders' insurance, the other four types of compulsory insurance saw a 92.1% increase in gross premiums written between 2009 and 2012 in naira terms and an 81.6% increase in US dollar terms. However, builders' insurance has been less successful due to non-compliance and non-enforcement.

Since Nigerian insurance companies are relatively small, they are not among the most expansive ones on the continent. They do however still have massive growth opportunities within their own country. Not even the country's two largest insurers, Leadway and the American International Insurance Company (AIICO), have expanded outside the country's borders. The International Finance Corporation (IFC), which is the private-sector lending arm of the World Bank, announced in February 2015 that it would provide AIICO with a US$20m loan to support its expansion activities across Nigeria. AIICO is the second-largest insurer and largest life insurer in Nigeria. The loan is set to be used to increase AIICO's agency network and retail centres, as well as to enhance its information technology capabilities in order to improve the efficiency of claims processing and customer service. Early in April 2015, The Nation reported that AIICO had completed its corporate restructuring and consolidation efforts that were aimed at enhancing efficiency and reducing costs.

Ghana

Ghana's insurance industry has grown rapidly in recent years; it is also generally considered to be among the countries with the strongest medium-term growth prospects in the insurance sector. At present, though, the sector is still underdeveloped. In fact, the latest available data from the National Insurance Commission (NIC) shows that total premiums equalled only GH¢649m ($351m) in 2012, which translates into a penetration rate of only 0.9%. Moreover, a study by FinMark Trust, commissioned by the NIC, found that more than 23 million Ghanaians (89% of the population at that time) do not have any form of insurance. Excluding those with the national health insurance, only 5% of the population have an insurance product. However, things are changing: average growth in Ghana's insurance sector was an impressive 16.7% p.a. during 2007-11 in US dollar terms (and over 30% p.a. in cedi terms). The life segment was responsible for most of this expansion, increasing by 25.4% p.a. compared to 11.7% p.a. growth in non-life premiums. That said, the life insurance segment remains particularly underdeveloped, with a penetration rate of below 0.5%. Growth in total premiums slowed markedly in 2012, but regained momentum in 2013. In fact, according to the Oxford Business Group (OBG), total premiums increased by 23% in 2013. As a result of this strong growth, and the country's upbeat development prospects, insurers from countries like South Africa, Morocco and the United Kingdom have shown a growing interest in entering the market.

According to the OBG, Ghana's insurance industry is supported by a robust regulatory framework. The first large-scale reforms were made in 2006, when foreign insurers were allowed to enter the market, and fire and commercial building insurance were made compulsory. Since then, Ghana has made further reforms to comply with the guidelines of the International Association of Insurance Supervisors (IAIS). More recently, in 2014 the NIC started implementing the so-called 'no premium, no cover' policy, which will prohibit insurers from providing cover before customers have physically paid their premiums. According to the NIC, this policy became necessary after some insurance companies reported "huge amounts" of outstanding premiums, which put the entire industry at risk. Specifically, it contributed to insurance companies becoming unable to pay claims promptly and adequately, while also resulting in insurers being unable to pay their reinsurance premiums. According to Ghana Web, the Ghana Insurers Association (GIA) and the NIC are also looking to make group life insurance compulsory. If they are successful, it will present insurers with strong growth prospects in this segment.

As is the case with Nigeria, the market is fragmented, with some 47 insurance companies (of which 21 are life insurers). For now, insurance is dominated by businesses, but with a growing middle class, operators are expecting strong growth in the retail segment in the coming years. Strong levels of economic growth and the development of the oil & gas sector should provide the impetus for the expansion of the insurance industry. As of yet, though, Ghanaian insurers have shown little appetite for investing abroad. There were some reports that the country's largest insurer, State Insurance Company (SIC), would expand to Sierra Leone and Liberia, but Bloomberg reported in November 2014 that the company put these plans on hold "because of the Ebola situation".

The NIC has supported the development of microinsurance products for the informal sector with the hope that this will increase insurance penetration in the country. In this vein, the NIC has collaborated with the GIA and the German Society for International Cooperation (GIZ) to launch an awareness campaign named Promoting Insurance in Ghana (PromIGH). According to Ghana Web, the project manager for PromIGH, Branko Wehnert, noted that the campaign is hoped to lead to increased usage of insurance products by micro-, small- and medium-sized enterprises. Ghana Web, also noted that a study by this group identified the lack of knowledge and benefits of insurance as a key challenge for the industry, especially among low-income earners and in the informal sector. According to Mr. Wehnert, though, PromIGH is showing signs of success, with "the results of the quantitative research show[ing] marginal positive changes in both knowledge and attitude indices."

One of the sectors that have experienced the fastest growth in premiums in recent years is fire insurance. This is largely owed to the introduction of compulsory fire insurance in 2006, combined with a boom in building construction since then. However, there is still significant scope for further growth as slack enforcement of the fire insurance law meant that it has not yet had the desired impact," according to the CEO of SIC. As of September 2013, the NIC and the Ghana National Fire Service have intensified efforts to enforce the law, and are now conducting more regular visits to commercial properties to inspect their compliance to the fire insurance laws.

Another segment that has significant growth potential is funeral cover. CNN reported in March 2014 that Ghanaian funerals tend to be large social events, often attended by hundreds of people. The news agency quoted a local funeral planner as saying: "an average funeral should cost between \$15,000 and \$20,000." Meanwhile, a report by United Press International (UPI), quoted a traditional leader of the Ga community in June 2013 as saying that a typical funeral costs between \$4,500 and \$6,000. The same article noted that extravagant funerals have become the norm over the past decade and that families use funerals to show off their wealth to the community. Considering that the country's per capita GDP is less than \$1,400, funerals represent a very large expense to Ghanaian families. Indeed, many Ghanaians become highly indebted because of lavish funerals. It therefore represents an opportunity for insurers. In this regard, the CEO of Enterprise Life, one of the largest insurers in Ghana, said "when the burden to finance funerals became so high that people began taking out bank loans, we saw there was space for insurance." He added that the company's funeral policy is now its flagship product, accounting for over 65% of its revenue. As of August 2013, they paid out lump sums of up to GH¢5,000, according to Business Week. Stanbic Bank has also introduced funeral plans, offering lump sums of GH¢1,000, while the largest insurer, SIC Insurance, was planning to increase its maximum lump sum to GH¢10,000. It is worth noting that funeral cover is not particular to Ghana; in many other African countries, this is one of the first insurance products bought by clients, since it is relatively cheap compared to most other products. Therefore, while some other products may only become universally popular in the long run due to Africans' low incomes, funeral cover has significant growth potential in the short term.

The National Health Insurance Scheme (NHIS) was formally launched in December 2004, and since then it has been mandatory for all residents to be members of a district mutual health scheme, a private commercial insurance scheme, or a private mutual health scheme. According to its 2012 Annual Report, the NHIS has a total active membership of 8.9 million and 3,575 healthcare facilities have been accredited to provide services to members.

The Africa Report noted in May 2015 that the mobile telephone industry has significant potential to transform the insurance sector. In Ghana, the mobile operators MTN and Tigo are in hot competition to expand their life insurance offerings. MTN's insurance offering is known as mi-Life, while Tigo's products are the Tigo Family Care Insurance and Tigo Hospital Support Plan. According to Tigo's website, one million Ghanaians already use their services.

Morocco

Morocco has the second-largest insurance market in Africa, with total premiums of US$3.4bn in 2014 and a penetration ratio of 3.1%. There are 17 insurance companies in Morocco, although the four largest private companies account for two-thirds of the market. These four companies are Wafa Assurance, RMA Watanya, Axa Assurance Maroc, and Saham Assurance (formerly CNIA Saada). The sector is open to foreign investment, and some of the top companies in the country – including Axa, La Marocaine Vie and Zurich – are foreign-owned or are subsidiaries of foreign companies. The Fédération Marocaine des Sociétés d'Assurance et de Réassurance (FMSAR) notes that 1,472 insurance intermediaries operated in the sector in 2011, consisting of 1,106 agents and 366 brokers.

According to the Oxford Business Group (OBG), growth in the insurance sector has consistently outpaced overall economic growth since the introduction of bancassurance in 2005. Bancassurance, which is the sale of insurance products by banks, has significantly increased access to insurance in the country, especially given the country's relatively well-developed banking sector. Most insurance companies are either subsidiaries of banks or are partnered by banks. Between 2006 and 2014, the volume of premiums grew by an average of 9% p.a. This has mainly been driven by the property and casualty segments. Car insurance, however, remains the largest component of the non-life segment, accounting for 47% of non-life insurance premiums. Physical injury and work-related injury are the next largest segments, accounting for 17% and 12% of non-life premiums, respectively. Meanwhile, the life insurance segment remains underdeveloped with a penetration of only 1%, or 32% of total premiums. Encouragingly, though, the segment has seen rapid growth since the introduction of bancassurance. According to data from Swiss Re and the FMSAR, life insurance premiums grew by an average of 13.2% p.a. from 2005 to 2014, although more recently (2012-14), the average growth rate was more modest at 6.8% p.a. Morocco's economic growth is generally expected to pick up over the next few years on the back of an improving business environment and a projected increase in euro zone economic growth. This, combined with the fact that the domestic life insurance market still has significant scope for further expansion, implies that the outlook for the life insurance segment remains strong.

Morocco's takaful (Islamic insurance) industry also has strong prospects given its large Muslim population and the underdevelopment of this industry up to now. The key constraint has been that only limited forms of Islamic finance has been allowed. This is set to change, however, with the government adopting a new Islamic Finance Law in November 2014, which should pave the way for the development of the takaful market. The introduction of Islamic finance is partly a way to attract investments from Arab Gulf countries, especially as investment from Morocco's traditional source – Europe – has slowed since the global financial crisis. Capital inflows from the Gulf would help significantly to boost liquidity in the banking sector, and thereby supporting lending growth, and possibly more broad-based economic growth.

Moroccan Companies Expanding Rapidly in SSA

Of Morocco's 17 insurance companies, nine offer life insurance. Among these, five insurers account for 91% of the market. These are Wafa Assurance (32.8%), RMA Watanya (25.6%), MCMA (11.7%), Marocaine Vie (11%), and Axa Assurance Maroc (9.9%). Moroccan companies are among the most aggressive of all the African countries in expanding operations overseas. It is especially in West Africa, a region that Morocco has historically had strong links with, where companies are making their presence felt. Wafa Assurance is probably the most expansive of the Moroccan insurers. Foremost among its foreign enterprises is Tunisia, where it uses the bancassurance model via its parent company, Attijari Bank. l'Economiste reported in January 2013 that the Attijari Bank Group, which had already been present in Tunisia since 2005, is planning to introduce a range of products and financial services in Tunisia. At the time, the CEO of Wafa Assurance noted that Tunisia's relatively high level of economic development, the rising capacity of domestic savings, and high literacy rates augur well for the life insurance sector in the country. Meanwhile, the company's president said: "We opted for life insurance because it is not yet developed in Tunisia. It is therefore an extremely important source of growth." It is also gaining ground across West Africa where it is also using Attijari Bank's large client base to gain a foothold in the market. In 2012, it bought a 75% stake the Ivorian insurer Solidarite Africaine d'Assurance (SAFA). In September 2014, Wafa created a Cameroonian subsidiary Wafa Assurance Vie Cameroun, with a registered capital of CFAfr1bn. Also in September 2014, Wafa Assurance received approval from the Inter-African Conference on Insurance Markets (CIMA), a regional franc zone institution, to establish two subsidiaries in Senegal: one that will provide life insurance and one for non-life insurance. According to the company, they will use the bancassurance model that has already been successfully deployed in Morocco and Tunisia. The CIMA approval may also facilitate a further push into the wider franc zone region, where it is also targeting Gabon and Congo.

Morocco's second-largest insurer, **RMA Watanya**, announced the acquisition of a 40% stake in the Beneficial Life Insurance Company in three franc zone countries (Ivory Coast, Cameroon and Togo) in April 2014. RMA Watanya has also noted that this is only an initial step of its African expansion plans. The company aims to be a major player in the African insurance market by 2020: its target is to have operations in about 12 African countries via acquisitions and greenfield investment and to receive US$400m - US$500m worth of premiums from these countries. Whereas Wafa Assurance uses Attijari Bank as a base for expansion, RMA Watanya uses BMCE Bank, which is also the majority owner of Bank of Africa (BOA). In turn, BOA is present in 17 African countries.

Saham Assurance (formerly CNIA Saada) is another Moroccan insurer with growing interests in SSA. In 2010, Saham expanded into the Ivory Coast by buying the controlling share in Groupe Colina. This group, in turn, has a presence in most Central and West African countries. Additionally, the International Finance Corporation (IFC) has invested US$90m in Saham in an effort to support its expansion into Africa and thereby increase access to insurance on the continent. The company also expanded into Angola in November 2013 by buying GA Angola Seguros, which is the third-largest insurance company in Angola, behind two state-owned insurers. Furthermore, in June 2014, Saham bought a 66% stake in Rwanda's third-largest insurance company, Compagnie Rwandaise d'Assurances et de Réassurance (Corar AG). At the time, the general manager of company said: "The rate of insurance penetration in Rwanda is currently around 0.8% with a high growth potential market." He also highlighted the country's accommodative business environment as a key reason for expanding there. Then, in November 2014, Saham bought a 40% stake in a Nigerian non-life insurance company, Unitrust Insurance. Saham said that the acquisition will allow it to consolidate its West African expansion and that it was important to enter the continent's largest economy. According to its website, Saham currently operates in 18 African countries outside of Morocco. It covers almost the entire West Africa, but it also has interests as far as Kenya, Madagascar and Mauritius.

Rest of North Africa

Apart from Morocco, the insurance sectors of North African economies remain underdeveloped. Although North African countries have high GDP per capita by African standards and in some cases, such as Egypt, fairly well-developed financial sectors, these countries have low penetration rates. To a certain extent this could be due to religious reasons, as conventional insurance is forbidden in Islam. In this regard, the development of takaful – which is insurance that complies with Islamic law – could provide a significant boost to the insurance industry in North Africa (and many other countries with large Muslim populations) in years to come. In addition to religion, the key constraints on the development of the private insurance are:

- Challenging business environments;
- Restrictions on investment;
- Dominance of the government in the industry;
- Unfavourable tax regimes;
- Fragmented market structures – too many companies share very small markets and as a result, companies cannot build large risk pools and cannot benefit from economies of scale; and
- A lack of skilled workers, e.g. actuaries.

Conclusion

The key determinants of an insurance sector in any particular country are income levels, political stability, the depth and sophistication of the financial sector, the level and volatility of inflation, religion, and the capacity of companies to innovate. A few African countries already have fairly high income levels and therefore sizable middle classes, which has spurred the development of insurance. Such countries include South Africa, Botswana, Namibia, and Mauritius. Although most North African countries also have fairly high income levels, these markets are still underdeveloped due to religious reasons, challenging business environments and restrictive government policies, as well as political and macroeconomic instability. In recent years, though, Morocco's insurance sector has shown strong growth thanks to the combination of reasonably high income levels by African standards, political and macroeconomic stability, low inflation, and a sophisticated financial sector. Moroccan insurance companies are also among the most aggressive investors in other African countries, having seen the opportunity to use the bancassurance model to expand to mainly French-speaking African countries.

In East Africa, Kenya performs particularly well in its ability to innovate while it also has a reasonably well-developed financial sector. These two factors may help to explain why Kenya's insurance sector is among the most developed in Africa despite still-low levels of income. Kenya has also been foremost among South Africa's major insurers' targets for expansion. These South African companies have also expanded to most Southern African countries due to their geographic proximity. Two of their key targets further afield are Ghana and Nigeria. Both these countries' insurance markets are still highly underdeveloped, and given that both economies have strong growth prospects, South African insurers have jumped for the opportunity to establish a first-mover advantage in these markets. In addition to strong economic growth, Ghana's relatively accommodative business environment and stable political environment helped to attract South Africa's leading insurers and perhaps to form a base from which to expand into the rest of West Africa. Despite less attractive business and political environments in Nigeria, the country is attractive due to its very large market size and strong economic growth. The entry for South African companies is also simplified by the fact that English is the business language in both countries, as opposed to the rest of French-speaking Central and West Africa, which Moroccan companies have generally favoured. In turn, Kenyan companies have successfully expanded into East African countries such as Tanzania, Uganda, and Rwanda.

Africa has one of the fastest-growing insurance industries in the world and therefore presents an opportunity for investors. Over the short term, we expect the non-life segment to continue to dominate. However, as Africans' incomes grow, there will be more and more opportunities in the life segment as well.

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