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MARKET NEWS, DATA AND INSIGHT ALL DAY, EVERY DAY

ISSUE 5,235

Innovation will save the London market: Horton

p3

Webinar: Hear top executives discuss the London market's outlook for 2019

p2

Analysis: International re/insurers grapple with Africa's evolving regulations

p6-7

NEWS

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Insurance Day is the world's only daily newspaper for the international insurance and reinsurance and risk industries. Its primary focus is on the London market and what affects it, concentrating on the key areas of catastrophe, property and marine, aviation and transportation. It is available in print, PDF, mobile and online versions and is read by more than 10,000 people in more than 70 countries worldwide.

First published in 1995, *Insurance Day* has become the favourite publication for the London market, which relies on its mix of news, analysis and data to keep in touch with this fast-moving and vitally important sector. Its experienced and highly skilled insurance writers are well known and respected in the market and their insight is both compelling and valuable.

Insurance Day also produces a number of must-attend annual events to complement its daily output, including the *Insurance Day* London Market Awards, which recognise and celebrate the very best in the industry.

For more detail on Insurance Day and how to subscribe or attend its events, go to subscribe.insuranceday.com

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Webinar: Hear top executives discuss the London market's outlook for 2019

Join Insurance Day's webinar at 11 am on December 7

Lorenzo Spoerry
Deputy editor

As we near 2019, the London market finds itself at a critical point. A spate of mid-sized natural catastrophes has put intense pressure on property catastrophe players, but also underlined the extent of the protection gap in developed and developing markets alike.

The pressures facing the London market have sparked a consolidation of carriers and intermediaries alike, helping to improve their offering to an ever-more-demanding clientele.

Against this backdrop, London's new insurance-linked-securities framework has garnered some fans, even if the issuances so far have failed to take advantage of London's incredible depth of underwriting creativity.

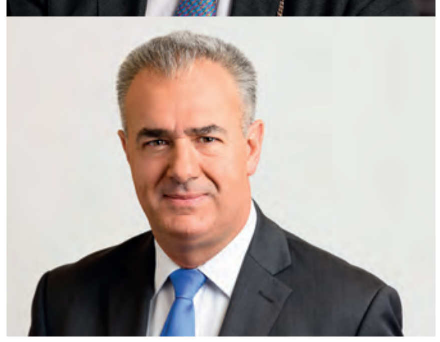
Meanwhile, Lloyd's has embarked on a tough new plan in a bid to improve the market's performance which has caused shockwaves among syndicates who feel hard done by.

To help our listeners make sense of these trends and more, and what we can expect in 2019, *Insurance Day* has gathered together a panel of top industry speakers. They are:

Bernie de Haldevang, head of specialty at Canopius
James Few, global managing director of reinsurance at MS Amlin
Nicolas Aubert, head of GB for Willis Towers Watson, and
Jon Sullivan, portfolio director – short tail treaty at Brit.

Visit Insuranceday.com at 11am on December 7 to listen in.

Clockwise from top left: Bernie de Haldevang, James Few and Nicolas Aubert will be discussing the London marlet's future on Insurance Day's webinar



London market agrees sharia guiding principles

The London market has taken another step to appeal to Islamic businesses by introducing of a set of guiding principles to govern its provision of sharia insurance, *writes Lorenzo Spoerry*.

The principles allow underwriters to create "Islamic windows" that can deliver sharia-compliant insurance and reinsurance capacity. The Islamic Insurance Association of London (IIAL) said the guiding principles have been endorsed by two of the UK's leading Islamic scholars.

"London has always prided itself in its reputation for innovation, expertise and integrity," Max Taylor, the chairman of the IIAL, said.

"We hope the market and Islamic business will seize the opportunity and insurers can play their part in the UK government's efforts to make London the leading global centre for Islamic financial services outside the Islamic nations," he added.

NEWS

Innovation will save the London market: Horton

London Market Group chair suggests PPL will not be e-placing platform of the future

Lorenzo Spoerry
Deputy editor

The London market will secure its place as the centre of the insurance world if it regains its innovative streak, the London Market Group's (LMG) chair, Andrew Horton, said.

But Horton, who is also the group chief executive of Beazley, added regulators and government must do their part to ensure London "is a place where innovation can be done in a relatively straightforward manner".

He told an Insurance Institute of London event at Lloyd's: "Often there is push-back from regulators when we go into new lines of business. As long as we atomise the risk and have a good understanding of our aggregates, innovation is not too difficult in new lines."

Horton took over as the chair of the LMG in May, succeeding Nicolas Aubert, head of Great Britain for Willis Towers Watson, who held the role for two years. Clare Lebecq joined the LMG as chief executive on November 1.

Horton said despite the shortcomings of e-placing platform PPL, the system had already eliminated about 50,000 broker visits, saving brokers and underwriters "a massive amount of time" to be spent doing other activities.

He acknowledged the market faces "the worst of all worlds" at present, because time and money is spent both on paper placing and electronic placing, and said the London market "needs to get to the electronic process as quickly as we possibly can".

"I don't think PPL will necessarily be the system of the future," he added, "but it is the system of the present."

Beazley's syndicate 3623 was top of the e-placing league table when figures were published last month. Its e-placing rate was 61%.

Across the market, syndicates accepted more than 29% of in scope risks, well ahead of the 20% target for the quarter and approaching the 30% target set for the final three months of 2018.

Some 71% of syndicates met or exceeded the third-quarter target, while 12% did not reach the target and 17% reported they had no in-scope risks during the period.

Meanwhile, nearly 60 brokers have signed up to PPL, according to the London & International Insurance Brokers' Association (Liiba). This represents 90% of the market's capacity and is an increase of 25% on the last three months, the trade body said.

Brexit

On Brexit, Horton said he felt the London market has "the ear" of key people in government such as John Glen, the City minister, as well as European MEPs. "We are relevant to government," he added.

The re/insurance industry has reacted with scepticism to the Brexit deal brought to parliament by prime minister, Theresa May. Its mention of "equivalence" did not refer to any of the enhancements UK financial services sought.

Still, the industry has backed the deal, with Miles Celic, chief executive of TheCityUK, arguing in a "straight choice" it is better than a no-deal Brexit, which offers only "higher risk, costs and disruption".

Ascot's Ethos hires AmTrust lawyer PL team

Ascot-backed managing general agency platform Ethos Specialty has hired a team of underwriters specialising in lawyers' professional liability, *writes Scott Vincent*.

The team, which was previously with AmTrust, is led by senior vice-president, Todd Cusano.

The team comprises Heather Ottoson and Katherine Norris in New York, with additional team members Peter Clough and Scott Vroman based in Chicago.

Ethos said the team will focus on the development of a specialised lawyers' professional liability offering in the excess and surplus sector.

Ascot launched Ethos last year as part of a long-term strategy to build a global property/casualty insurance and reinsurance platform. Led by former WKFC Underwriting Managers president, Michael Sillat, Ethos operates as a separate entity from the other Ascot Group businesses in Lloyd's and Bermuda.

Lonham brings in marine underwriter

Lloyd's coverholder Lonham Insurance Underwriters has appointed marine specialist Matt Haywood, *writes Scott Vincent*.

Haywood will focus on growing the underwriting agency's presence in the UK cargo and freight liability market.

He was most recently head of corporate marine at Marsh.

Lonham was founded as a specialist cargo and freight underwriting agency in 1983. Since being acquired by Chaucer in 2015, the agency has written business solely on behalf of syndicate 1084.

The coverholder is led by underwriting directors Nick Hamer and Mike Ayres.

RSA appoints Jones to lead restructured London market unit

RSA Group has appointed Geoff Jones as director of its specialty and wholesale unit, *writes Michael Faulkner*.

The London-listed insurer announced earlier this month it would refocus the specialty and wholesale division, exiting unprofitable lines of business written in the London market.

Jones joined RSA in 2010. At present, he is RSA's UK commercial claims director, overseeing the commercial property, marine, construction and renewal energy liability teams and customer account management teams.

Jones succeeds Gareth Hilton, who left earlier in the year.

The restructure of the specialty and wholesale division will see RSA cease writing international construction, international freight and fixed-price marine protection and indemnity insurance business lines written in the London market.

RSA said a review had shown these lines were "unlikely to satisfy the group's profitability requirements in the foreseeable future".

In addition, the exposures in international marine cargo and marine transportation will be "significantly" reduced.

The London market business will now focus on four key areas of international hull, international cargo and transportation; international property; and international engineering and renewable energy risks.

Tony Buckle, managing director of RSA's global risk solutions division said: "The development of a thriving and focused specialty and wholesale business is a crucial part of RSA's strategy."

Jones said his experience in claims would help to address the performance challenges facing the specialty and wholesale business, "while strengthening our relationships with customers and partners to secure our long-term success".

NEWS

Economic damage from California wildfires pegged at $19bn

© 2018 Kathleen Ronayne, File/AP

CoreLogic does not break down insured estimate but says majority of homeowners will have 'some financial protection'

Scott Vincent
Editor, news services

Property analytics and modelling firm CoreLogic has estimated the cost of damage from the Camp and Woolsey wildfires in California will be between $15bn and $19bn.

The Camp fire, the most destructive and deadly wildfire in California state history, accounts for between $11bn and $13bn of that total. CoreLogic has estimated damage from the Woolsey fire in southern California to total between $4bn and $6bn.

The analytics firm did not break down the extent to which it expected these losses to be covered by insurance.

However, given fire is covered under a standard homeowners' policy, CoreLogic said it expected the majority of homeowners to have "some protection from the financial challenges surrounding recovery".

The loss estimates including the impact of factors that may amplify the loss, such as additional living expenses, smoke damage, demand surge and debris removal.

CoreLogic expects the bulk of the losses – between $11.5bn and $14.5bn – to result from residential losses.

Commercial losses are expected to total $3.5bn to $4.5bn, the majority of which will be caused by the Camp fire.

RMS has estimated industry insured losses of between $7.5bn and $10bn for the Camp fire, with an additional $1.5bn to $3bn in industry losses for the Woolsey fire.

A spokesperson for the modelling firm this week confirmed to *Insurance Day* this range includes any subsequent destruction that has occurred since the estimate was issued on November 19.

AIR Worldwide has not yet issued an estimate for the event.

The Camp fire, which is now fully contained, has destroyed 18,793 structures in northern California, more than three times the number of the previous most destructive wildfire in the state, 2017's Tubbs fire.

One-in-100-year global insured loss rises to record $270.9bn

The one-in-100-year return period global aggregate insured loss has reached a record high, rising to $270.9bn from $246.9bn a year earlier, according to AIR Worldwide, *writes John Shutt, Los Angeles*.

The one-in-250-year global insured loss has also set a new record, climbing to $341.9bn from $325.3bn, the catastrophe modelling company said in a new report.

The firm said the increases reflected higher numbers and values of insured properties in regions of high hazard and the inclusion of regions and perils for which new models are now available.

In another key insured loss metric, AIR Worldwide estimated the annual average loss for re/insurers has risen to $85.7bn from $78.7bn.

AIR Worldwide's latest loss metrics include results from three models introduced this year (European severe thunderstorm and southern European earthquake and flood) and two newly updated models (European extratropical cyclone and US wildfire).

"After a decade of below-average losses [apart from 2011 and 2017], 2018 will reinforce the fact that preparing for large losses before they occur is critical to continued solvency and resilience," Rob Newbold, executive vice-president at AIR Worldwide, said.

Marsh wins first Abu Dhabi captive manager licence

Marsh has been awarded the first licence to provide captive insurance management services in Abu Dhabi, *writes Michael Faulkner*.

It will operate in the region as Marsh Management Services (Mena).

Marsh is seeking to take advantage of Abu Dhabi's growing importance as an insurance hub for the region, as well as its role in providing a link between the financial markets of Europe, the Middle East, Africa and Asia.

Ronny Vellekoop, senior executive officer at Marsh, said captive insurance companies would enable organisations in the region to reduce the increasingly volatile risks they face, manage the costs of employee benefit plans and "boost their financial certainty".

The firm has been authorised to provide captive insurance management services by the Financial Services Regulatory Authority (FRSA) of the Abu Dhabi Global Market, the international financial centre in the capital of the United Arab Emirates.

FRSA chief executive, Richard Teng, said the Abu Dhabi Global Market will "continue to strengthen its captive insurance regime to provide users with strategic risk management and financial solutions to support their business ambition and growth locally and globally".

Travelers adds duo to Lloyd's renewables team

Travelers has expanded the renewable energy team at its Lloyd's syndicate 5000, *writes Scott Vincent*.

Jonny Allen and Charlie Richardson have joined as senior underwriters. Allen will lead the offshore renewables team and Richardson will head onshore underwriting.

Both were most recently with GCube Underwriting.

Allen, who chairs the European wind turbine committee, has served as GCube's head of offshore wind since 2015. Richardson led GCube's wind and solar underwriting book. He will continue to focus on onshore wind and solar power industries in his new role with Travelers.

Travelers' global renewable energy practice includes both the syndicate and a US-based renewable energy team. The insurer has offered renewable energy cover for more than 25 years.

VIEWPOINT

New maritime environmental regulations will stretch limits of P&I cover

Shipowners will need to show that all reasonable steps were taken to avoid the breach

Akshat Arora
Standard Club Asia

In recent years, the International Maritime Organization (IMO) has focused its work towards ensuring a cleaner and greener marine environment.

Consequently, the maritime sector has seen an increase in new and stricter environmental regulations, such as the ballast water management convention, bio-fouling regulations, polar code, greenhouse gas (GHG) emissions and the 2020 global sulphur cap. Each of them has their own set of challenges and prospects for the industry.

Perhaps, the most prominent at present is the upcoming 2020 global sulphur cap, which involves a significant reduction in the sulphur content of fuel oil used on ships – from 3.50% m/m to 0.50% m/m.

Under Marpol Annex VI, stricter limits on sulphur (SOx) emissions are already in place for the emission control areas (ECAs) in Europe and the Americas; and a few other localised low-sulphur regimes are in force in various jurisdictions, such as China. However, a switchover on January 1, 2020 is far more complex than it sounds, especially when one considers the scale of global shipping.

As the 2020 deadline approaches, shipowners are faced with the following options: using low-sulphur fuel oil (0.50% sulphur) or distillates or compliant fuel blends; installing approved exhaust gas cleaning systems (scrubbers); and retrofitting ships to use alternative fuels such as liquefied natual gas or methanol.

Fuel switchover

Even though switching over from high-sulphur fuel oil (HSFO) to low-sulphur fuel oil (LSFO) or distillate (marine diesel or gas oil) fuel is the simplest option, the uncertainties surrounding the cost and availability of such fuels is a matter of concern.

The anticipated increased demand for compliant fuels has paved the way for refiners to produce and supply the so-called hybrid fuels as blended products. However, there are concerns over the quality of such newly developed blends of fuel as they are mostly untested. Such blends may not be reliably stable and could be incompatible with other fuels, thereby posing an increased risk of machinery breakdown claims.

The magnitude of such problems for shipowners and their insurers may not be limited to a simple engine malfunction or damage but could even, under certain circumstances, affect the ship's and the crew's safety, leading to expensive salvage claims.

Under most charterparty forms, it is the charterer's responsibility to supply fuel for the ship's voyage, but management of fuel remains the shipowner's responsibility. As such, it is strongly recommended that suitable clauses are negotiated and incorporated into the charterparty to protect the party in question (whether shipowner or charterer), including indemnities covering losses that may arise from the wrong supply of fuel, fines and delays.

The equivalent compliance solutions like using alternative fuels (gas or methanol) or installing approved scrubber systems requires due consideration of the complexity of installation, possible off-hire and the remaining life of the ship – which, essentially, translates to significant investment of time and money for shipowners.

Industry reports suggest that, with an eye on the long-term price differential between compliant and non-compliant fuels, more shipowners are opting for installation of scrubbers – as this option allows the ship to continue utilising HSFO.

With different types of scrubber systems available, the inclination of many shipowners tends to be towards installing an open-loop system – as it is relatively cheaper and simpler than the others. But there is a risk this solution may fall foul of future environmental legislations as some ports may consider prohibiting the release of wash-water from open-loop systems in their coastal waters.

Shipowners and charterers are recommended to review the charterparty clauses relating to ship's dry-docking, off-hire, lay-time and demurrage to ensure that the responsibility for time and costs are clearly allocated.

Enforcement

Enforcement is expected to vary between ports of different jurisdictions and the penalty arising out of a breach may range from fines to arrest and detention of ships.

To prevent non-compliance in international waters, the IMO's environmental committee (MEPC) during its recent meeting (22-26 October 2018), agreed a carriage ban for HSFO, except for ships equipped with approved alternative means such as scrubbers.

This would enable port state control officers (PSCOs) to detain ships carrying non-compliant fuel without having to prove that such fuel was used, or was intended to be used, in domestic or international waters. Such ships will be expected to offload non-compliant fuel; and the consequential delays and costs of arranging this would be an additional expense.

Shipowners and charterers need to be aware of their contractual obligations and the potential consequences of any non-compliance in respect of their H&M and P&I insurance coverage.

P&I cover for fines arising from breaches of low-sulphur fuel regulations and other MARPOL violations is discretionary. In such cases, club members are required to satisfy the board that all reasonable steps had been taken to avoid the event giving rise to the fine. ■

Akshat Arora is a senior surveyor at Charles Taylor Mutual Management (Asia), which manages the Standard Club Asia

Port state control officers will be able to detain ships carrying non-compliant fuel in domestic or international waters

Jurand/Shutterstock.com

ANALYSIS

International re/insurers grapple with Africa's evolving regulations

The increasing sophistication of regulation has encouraged re/insurers and brokers to invest in Africa. But a rise in protectionism is a growing concern for international carriers

Rasaad Jamie
Global markets editor

Africa has been attractive to the international re/insurance market for a number of years now – a period during which several countries have made notable improvements to their insurance regulatory frameworks and solvency capital standards.

According to data collected by the African Insurance Organisation, 34 countries (more than 60% of all African nations) are members of the International Association of Insurance Supervisors (IAIS). Driven by their IAIS membership, many sub-Saharan African countries, including South Africa, Kenya and Nigeria, are moving from compliance to a risk-based model of supervision.

The international re/insurance market has responded accordingly. Investment in the continent by international brokers, commercial specialty lines insurers and reinsurers has been stepped up significantly in 2018.

In March Munich Re announced plans to launch the first reinsurance facility for sustainable energy projects in Africa in conjunction with the African Trade Insurance Agency (ATI) and the European Investment Bank (EIB). In April, Lloyd's opened a representative office in Casablanca, and Allianz Africa moved its underwriting centre of competence for Francophone sub-Saharan Africa from Paris to Abidjan.

Allianz acquired an 8% stake in regional reinsurer, Africa Re in May, and Swiss Re expanded and relocated its African property/casualty (P&C) operations from Europe to South Africa to be closer to local markets. XL Catlin, which in 2016 established a reinsurance unit focused on providing facultative and treaty reinsurance across Africa, has said it will look to further grow its business across the continent.

The international broking groups have been no less busy in terms of bolstering their presence on the continent in 2018. This year, Aon Benfield strengthened its executive team in Africa by hiring the chief executive of Guy Carpenter South Africa.

The Howden broking group has also made its first direct investment in Africa, buying into a local broker in Tanzania. And global independent broking network Brokerslink has added another eight brokers – each in a different country – to its network, extending its presence to 21 countries across the continent.

Regulations drive investment

New regulation in Africa has been a significant factor in driving the interest of the international market, Hedi Hachicha, chief underwriting officer for treaty P&C in the Middle East & Africa at Scor, says.

Hachicha highlights the introduction of risk-based solvency regimes and new compulsory coverage to reduce the protection gap and to protect low-income populations more generally.

These risk-based solvency regimes should continue to stimulate the expansion of local regional champions through increased merger and acquisition activity, he says. This trend, Hachicha says, will also help to facilitate the integration of insurance markets across the continent, which is critical to the future development of the regional market.

But the rise of protectionism is seen as a concern, particularly in the reinsurance space, as it goes against the principles of global business which needs its risk exposures to be as diversified as possible.

While a global view and a local presence are both important in the re/insurance markets of Africa, quite a few international companies say there is a need to have the right balance between centres of excellence and decentralised access points for marketing their services, providing expertise and having the necessary oversight on the ground.

> **'We believe "getting local" is the best way to truly understand the intricacies of each country and write business accurately and efficiently'**
>
> **Ana Cristina Borges**
> **Brokerslink**

For example, Scor covers Francophone Africa from Paris and the rest of Africa from Johannesburg, where it has a 100% owned subsidiary which is supported by a liaison office in Nairobi. Scor has been covering the continent for more than four decades and regards itself as the number-three reinsurance player in Africa

Hachicha says Scor constantly reassesses whether to further strengthen its local presence in Africa. "Opening any new office must be supported by a strong business case, demonstrating added value and economic viability," he says.

Regulatory concerns are increasingly a factor in determining international companies' strategies on the ground in Africa. Ana Cristina Borges, regional manager, Middle East and Africa at Brokerslink, says the trend of "over-regulation" pose a serious risk to competitiveness.

Some countries are implementing various degrees of market protectionism, including not admitting international re/insurance companies or requiring insurers to first cede the risk to local reinsurers before it can be offered to the international market, placing international players at a disadvantage.

Despite the regulatory challenges, Brokerslink is determined to strengthen and expand its presence in Africa throughout 2019, Borges adds. "We believe 'getting local' is the best way to truly understand the intricacies of each country and write business accurately and efficiently," Borges says.

Hannover Re, which along with Munich Re is one of the two biggest reinsurers in Africa, also has concerns about protectionism. Achim Klennert, group managing director of Hannover Re Africa, says insurance markets in Africa have become increasingly regulated and protectionist measures have made the operating environment difficult.

Free movement of reinsurance

Hannover Re's position is, largely, that it will only write business in Africa where cross-border reinsurance is freely allowed, or the economy and the reinsurance market is so substantial that it would justify setting up infrastructure. "For the moment, we only see that in South Africa," says Klennert. "South Africa is the main market that we operate in, with over 90% of our business emanating from there. In other sub-Saharan countries, we only write reinsurance business in the open market.

"While there will always be adjustments to our operations and strategies for African business, our current set-up has served us well and we do not foresee significant changes," he adds.

Hannover Re Africa largely operates from its offices in Johannesburg, although markets in North Africa are mainly serviced from the company's German office.

A major focus over the past few years for Hannover Re Africa has been its involvement in the South African insurtech sector. "We see ourselves as a significant contributor and player in this. While the insurtech ecosystem in South Africa is still young, there are some very promising start-ups that we are involved with as investor and reinsurer, for example Pineapple and InvestSure," Klennert says.

The rising level of regulation in Africa threatens to limit capacity in certain markets, Thusang Mahlangu, chief executive of Allianz Global Corporate & Specialty South Africa, warns.

"These markets are, typically, very reliant on reinsurance capacity for their development, which makes the local industry vulnerable in the event of a catastrophic loss, since most of the risk is retained in country," Mahlangu says.

However, despite such challenges, the strategy of combining global resources with a local presence has served AGCS well in Africa, to date, Mahlangu says. The approach has enabled AGCS South Africa, which was established in 2010, to achieve a compound annual growth rate of 23% annually since 2012.

The way the company is set-up in Africa reflects AGCS's global business model. It has a local carrier based in Johannesburg and it is also embedded in the wider Allianz Group's activities across Africa through Allianz Africa, which operates in 16 countries. "This enables AGCS South Africa to provide capacity within these markets. AGCS South Africa also relies on strategic partners in countries where there's no Allianz entity," Mahlangu says.

Looking ahead over the next three to five years, Klennert sees significant potential to further grow Hannover Re's involvement in outsourced business models, possibly in additional African jurisdictions if regulation supports this.

"This would be of great benefit to local insurance companies that we would partner with in the respective jurisdictions, as we would not plan to set up our own insurance licences," he says.

Hachicha says east Africa, and Kenya especially, is of interest over the medium term. This is due to the ease of doing business, the governance, the transparency, the demographics and the well-educated population. "Kenya is economically booming, with meaningful investments in infrastructure, big natural resource discoveries and the emergence of services and industries."

He adds: "In west Africa, Nigeria has very good prospects, as do Ivory Coast and Senegal for almost the same reasons."

Borges points to digital innovations, namely mobile and cashless payments, which are revolutionising the distribution of insurance in Africa and creating opportunities in several product areas such as crops, life and health.

"In addition, disruptive social, technological, economic, environmental, political and regulatory changes are reshaping the competitive environment of insurers and brokers operating in Africa."

What this, ultimately, means, she suggests, is that there is no option for both governments and insurance markets in Africa, but to adapt to the pressure of constant change in order to prosper. ■