

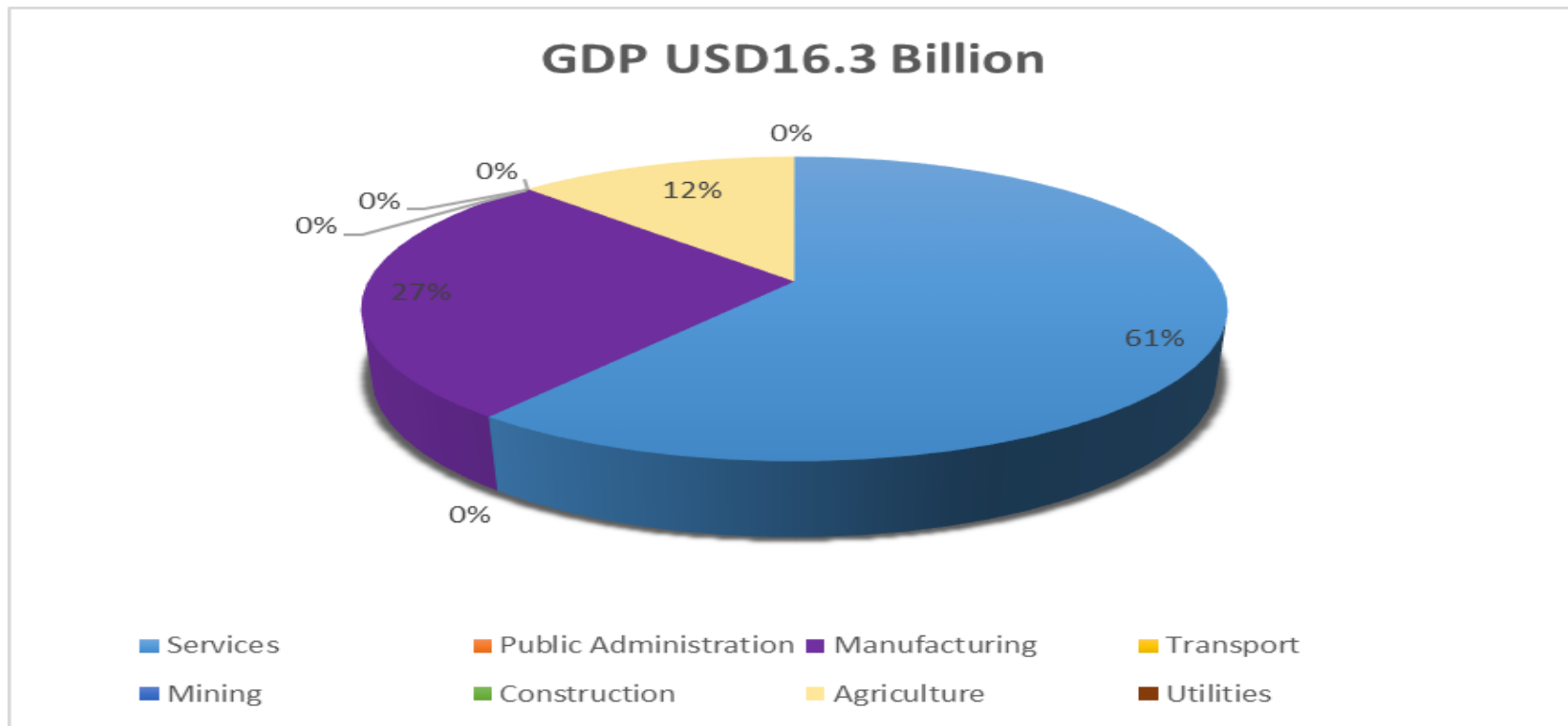


Unlocking the Potential of the Zimbabwean Insurance Market

By

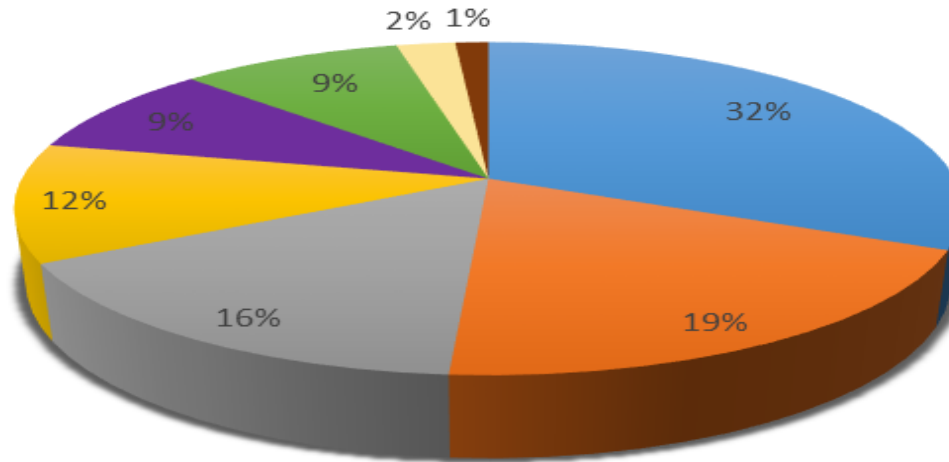
Cas Hansa
November 2017

ZIMBABWE ECONOMY



BOTSWANA ECONOMY

GDP USD15.3 Billion



■ Services

■ Public Administration ■ Mining

■ Construction

■ Manufacturing

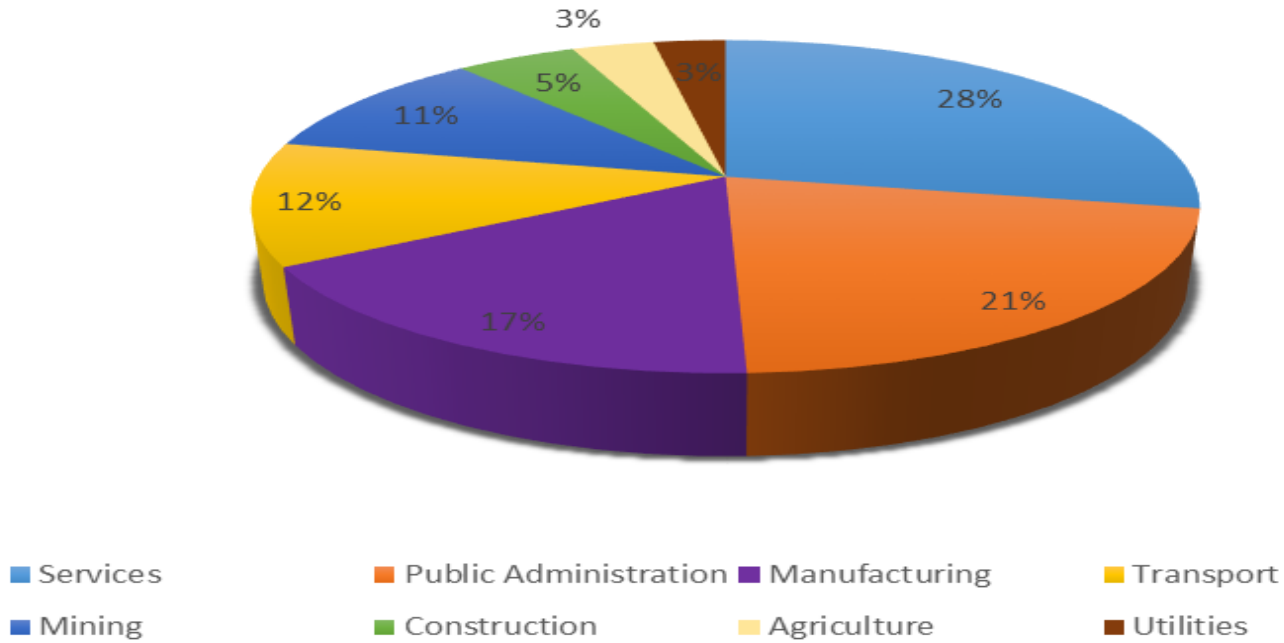
■ Transport

■ Agriculture

■ Utilities

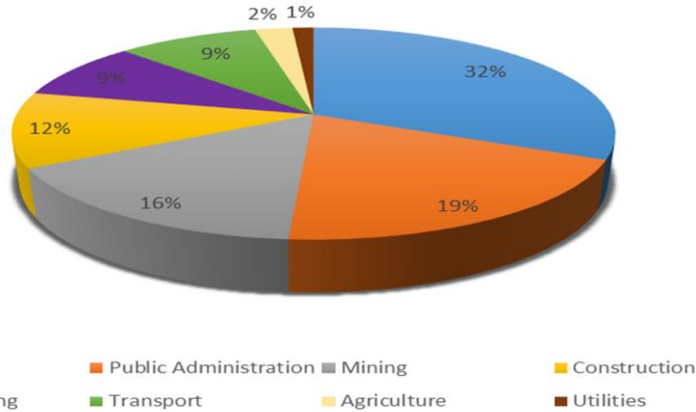
SOUTH AFRICA ECONOMY

GDP USD295 Billion

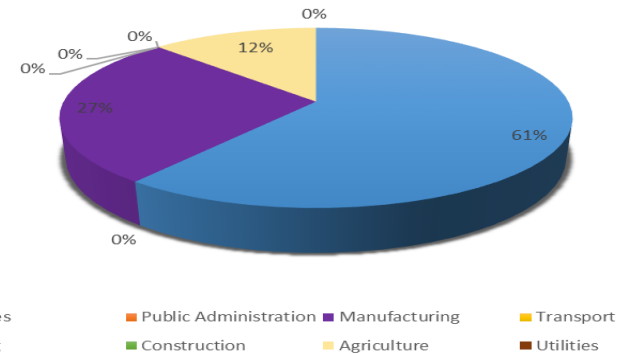


BOTSWANA AND ZIMBABWE ECONOMIES CONTRASTED

GDP USD15.3 Billion



GDP USD16.3 Billion



COMPARING SOME ECONOMIC INDICATORS

Source: tradingeconomics.com and

ECONOMIC INDICATORS			
	BOTSWANA	SOUTH AFRICA	ZIMBABWE
GDP	\$ 15,270,000,000	\$ 295,000,000,000	\$ 16,290,000,000
GDP PER CAPITA	\$ 7,400	\$ 7,504	\$ 909
GDP ANNUAL GROWTH RATE	1%	<1%	<1%
GOVT DEBT TO GDP	23%	52%	84%
POPULATION	2 250 000	56 000 000	16 150 000
UNEMPLOYMENT RATE	18%	28%	5%
EMPLOYED	407 000	9 617 000	> 3 000 000 frmI
WAGES	BWP 6,000	ZAR 19,170	\$ 411.00
YOUTH UNEMPLOYMENT RATE	33%	56%	25% - 30% (90% unemp)
SHORT TERM EMPLOYMENT	2500	20500	5000
SHORT TERM GWP	\$ 125,000,000	\$ 7,185,185,185	\$ 230,000,000
PREMIUM PER EMPLOYEE	\$ 50,000	\$ 350,497	\$ 46,000
FOREIGN EXCHANGE RESERVES	\$ 7,787,000,000	\$ 49,384,000,000	\$ 350,000,000
PERCENT OF GDP	51%	17%	2%
BUSINESS CONFIDENCE	48	35	less negative -30
COMPETITIVENESS RANK (138)	64	47	124
CORRUPTION RANK (175)	35	64	154
EASE OF DOING BUSINESS (190)	71	74	159
INDUSTIRAL PRODUCTION (rate)	-8.70%	1.50%	-3.00%

Probability X Severity = RISK



MANAGING RISK



MANAGING RISK



Summary

“The level of insurance penetration, measured as a percentage of premiums to GDP for Africa sits at 3.5%.

This is relatively higher than the emerging markets’ average of 2.72%, but much lower than the average for advanced markets of 8.27%, and the global average of 6.28%. The average premium per capita for Africa was only \$66 in 2013 (say \$85 today), relative to the world average of \$651 and advanced markets at \$3 620.”

[Zimbabwe: Short Term \$230m plus Life \$300m = \$530m; Pop’n: 16.15m so per capita = \$33.

SA insurance penetration second highest in the World: +14%; Bots: +3%; Zim1,7%]

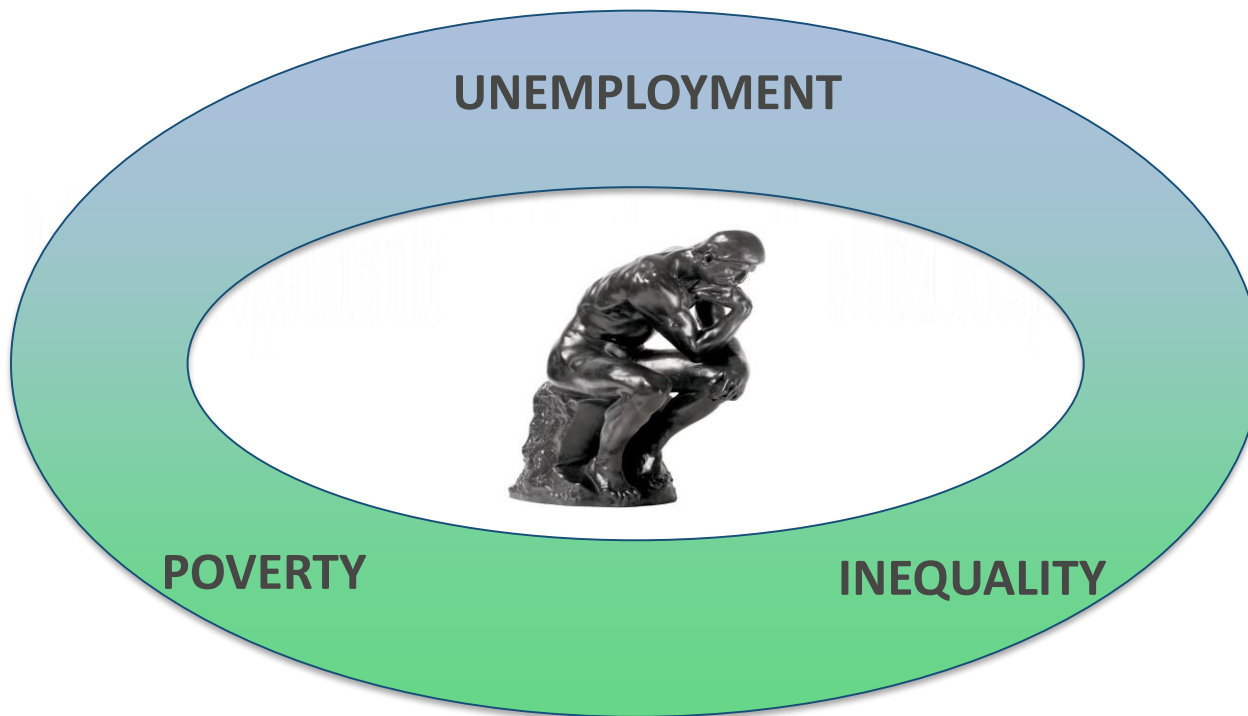
¹⁰ **The above numbers indicate the low level of development in our insurance**

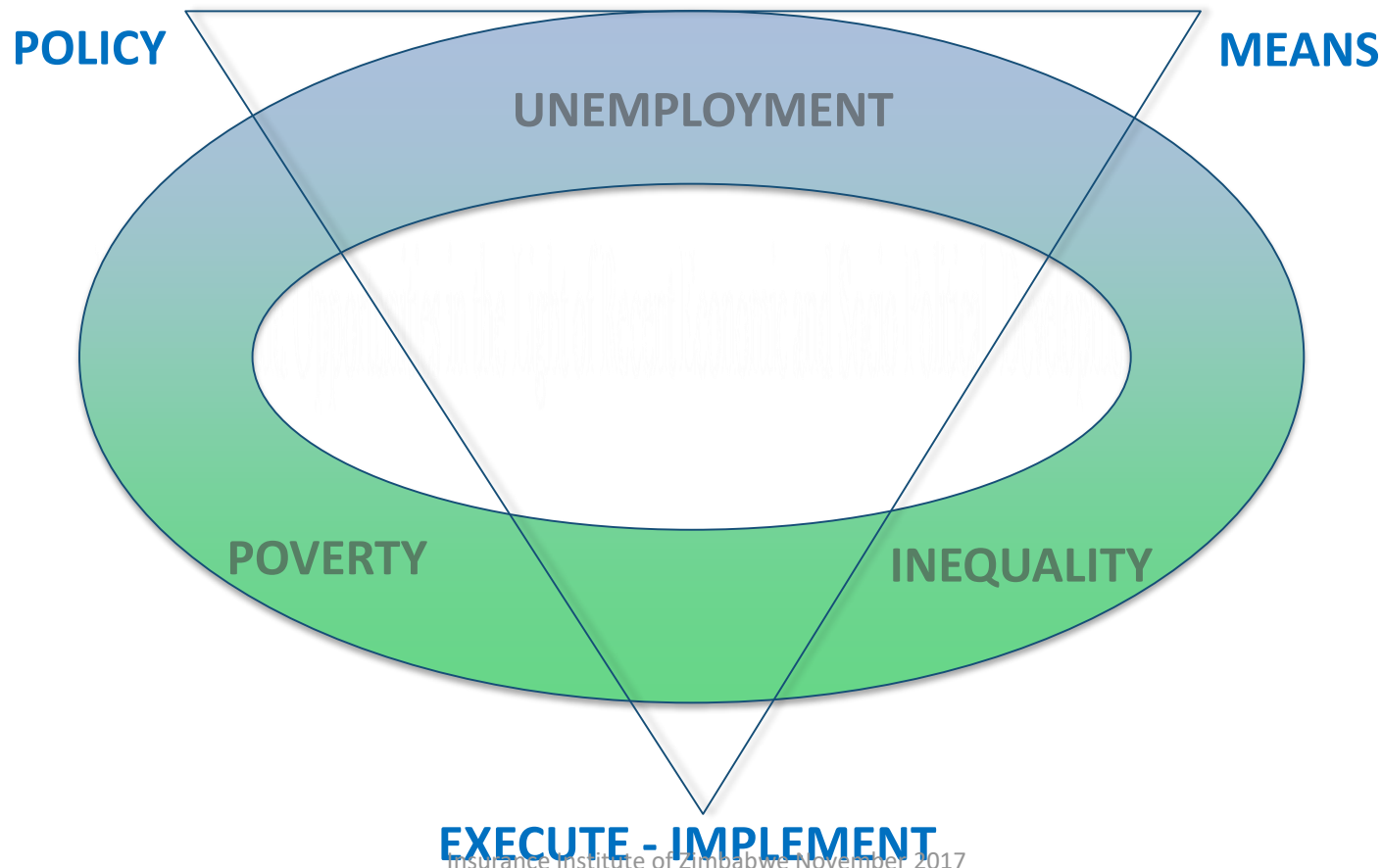
Insurance Penetration circa 2015

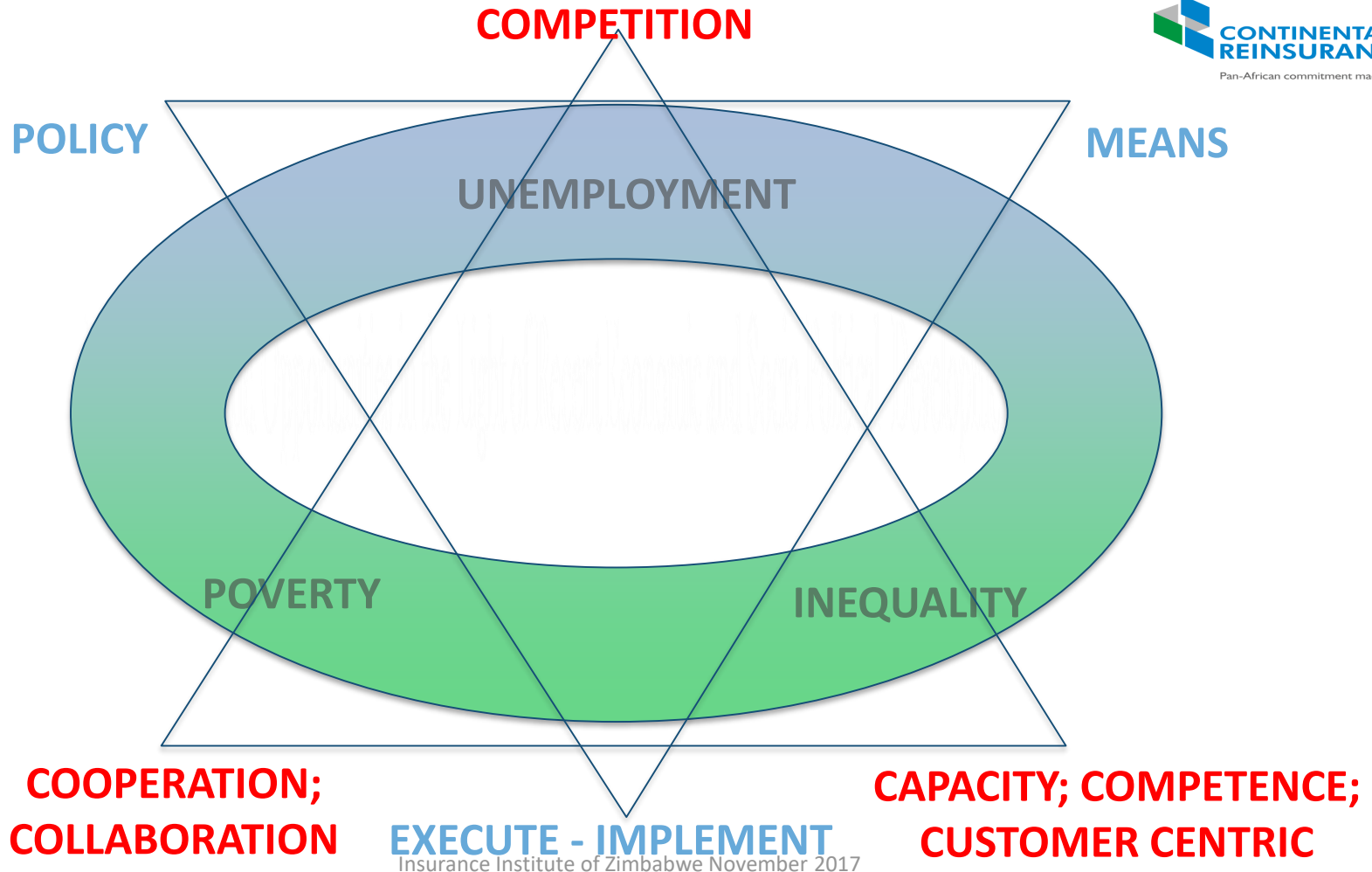
[Source: KPMG]

Country	Premiums (US\$ million)	Nominal GDP, (US\$ billion)	Penetration Rate (%)	Population (millions)	Density (Premiums per Capita, US\$)
South Africa	\$ 54,871.00	\$ 384.30	14.28	52.40	\$1,047.40
Morocco	\$ 2,857.00	\$ 96.10	2.97	32.50	\$ 87.90
Nigeria	\$ 1,828.00	\$ 270.20	0.68	168.80	\$ 10.80
Egypt	\$ 1,818.00	\$ 269.00	0.68	80.70	\$ 22.50
Kenya	\$ 1,290.00	\$ 40.70	3.17	43.20	\$ 29.14
Algeria	\$ 1,250.00	\$ 208.20	0.60	38.5	\$ 32.10
Angola	\$ 1,140.00	\$ 114.10	1.00	20.8	\$ 54.13
Namibia	\$ 980.00	\$ 13.10	7.5	2.3	\$ 433.12
Tunisia	\$ 816.00	\$ 45.20	1.81	10.90	\$ 75.50
Ghana	\$ 791.00	\$ 39.60	2	25.4	\$ 31.70
Mauritius	\$ 655.00	\$ 11.30	5.78	1.2	\$ 528.90
Botswana	\$ 459.90	\$ 14.50	3.17	2.00	\$ 229.10
Tanzania	\$ 254.20	\$ 28.20	0.9	47.8	\$ 5.80
Gabon	\$ 238.90	\$ 18.40	1.3	1.6	\$ 146.80
Senegal	\$ 202.50	\$ 14.50	1.4	13.7	\$ 14.12
Libya	\$ 173.60	\$ 82.70	0.21	6.2	\$ 28.70
Zimbabwe	\$ 166.60	\$ 9.80	1.70	13.70	\$ 12.60
Rwanda	\$ 164.00	\$ 7.10	2.3	11.5	\$ 14.80
Uganda	\$ 128.50	\$ 19.50	0.66	36.3	\$ 3.10
Togo	\$ 41.60	\$ 3.80	1.09	6.6	\$ 6.80
Other	\$ 1,765.10	\$ 331.70	0.53	465.7	\$ 3.13
Total	\$ 71,891.00	\$2,022.00	3.56	1081.9	\$ 66.90

A MIND-MAP MODEL FOR US TO PONDER







BACK TO BASICS

- ▶ Simply put we all know Insurance deals with Risk Transfer - to a **professional** risk carrier or insurer by contract.
- ▶ An Insured has a basket of risks. These risks are **identified**; are **evaluated**; then some are **controlled** and the balance, **high** or **low** (severity) that are **unlikely** or **likely**

BACK TO BASICS cont'd.:

- ▶ Now, the Insured can have **internal financing** (self-insured) or **external financing**. In **external financing** we can have **Pre-Loss (Insurer)** or **Post Loss (Borrow/Bank/Beg or Broke!)**
- ▶ So, the **NEED** to transfer and to externally finance risks is the opportunity for Insurance!
- ▶ The opportunity arises to provide a **professional** (ethical) service with a product that fulfils a **NEED**.

**ALL MOTOR COVERS DAMAGE SO NO
DIFFERENCE AS SUCH.
BUT WHAT ABOUT THE SERVICE?**



- ▶ Remember too, with Insurance our offer is to accept the responsibility (the transfer onto our business Balance Sheet) for financing insurable losses that accidentally/fortuitously occur.
- ▶ However, ours is not to be involved with speculative risks/interests - for gain or profit or some other advantage. Ours is not with trading or entrepreneurial risks that carry the potential

- ▶ Ours is about knowing in a CALCULATED way that a balanced/fair coin will come up with a 50% probability of either Heads or Tails - which implies if we tossed it 1000 times we will generally end up with say, 495 Heads and 505 Tails or some other 50/50 thereabouts.
- ▶ However, when we are gambling – we are speculating (for loss or gain) by placing a bet

► Continuing with this example by the way, if we say a 'Heads' equates to not experiencing an insurance loss, then we in insurance are obliged to and will see it as our **professional** duty to ensure the fair-coin actually does indeed become unbalanced, well-skewed to more regularly land 'Tails'!! How do we do this? How do we unashamedly unbalance the coin albeit in a professional ethical way? This to our minds

► Through **Risk Management!**

Economy depressed; growth difficult; 'pie' the same and more need to eat; churn and price wars; import repair costs high; claims high?

ANSWER: Proactively Control the Claims and the Claims Costs. Via the whole supply chain. Including the Insured!

And,

A WINNING FORMULA?

- ▶ So, if we wish unlock the insurance potential we need to be accessible; communicate simply and convincingly; educate our customers, make it an enjoyable experience interacting (create some lifestyle benefits, some incentives); design/offer more innovative products - convincingly valuable products
- ▶ Again, not forgetting the service which serves as the opportunity to differentiate. Be relevant

SOCIAL MEDIA MAKES AWARENESS SO MUCH EASIER! THE ISSUE IS TO SEE THE INSURANCE POLICIES IN ACTION?



ENTERPRISE-WIDE RISK MANAGEMENT

What are the general Corporate/Business Risks to be considered and which Risks are we as an Insurance industry specifically trying to handle?

Enterprise-Wide Risk Management analyses will generally show that the “Risks” can be broadly categorised along the following Four risk elements:

- ▶ **Financial Risks:** Investments and/or exchange-rate fluctuations.
- ▶ **Strategic Risks:** Essentially trying to stave-off (adapt, be prepared and avoid) any negatively-impacting (global) market dynamics or “disruptive technologies” - forces eroding market share or brand integrity.
- ▶ **Hazard Risks:** Standard Property risk exposures.

Pure Risks – Pure Risk Management.

[As opposed to Speculative Risks – which carries potential for gain or loss]

SOME CRIB NOTES

Source: Accenture Consulting Source: <https://www.accenture.com/za-en/insight-south-african-short-term-insurance-going-digital>

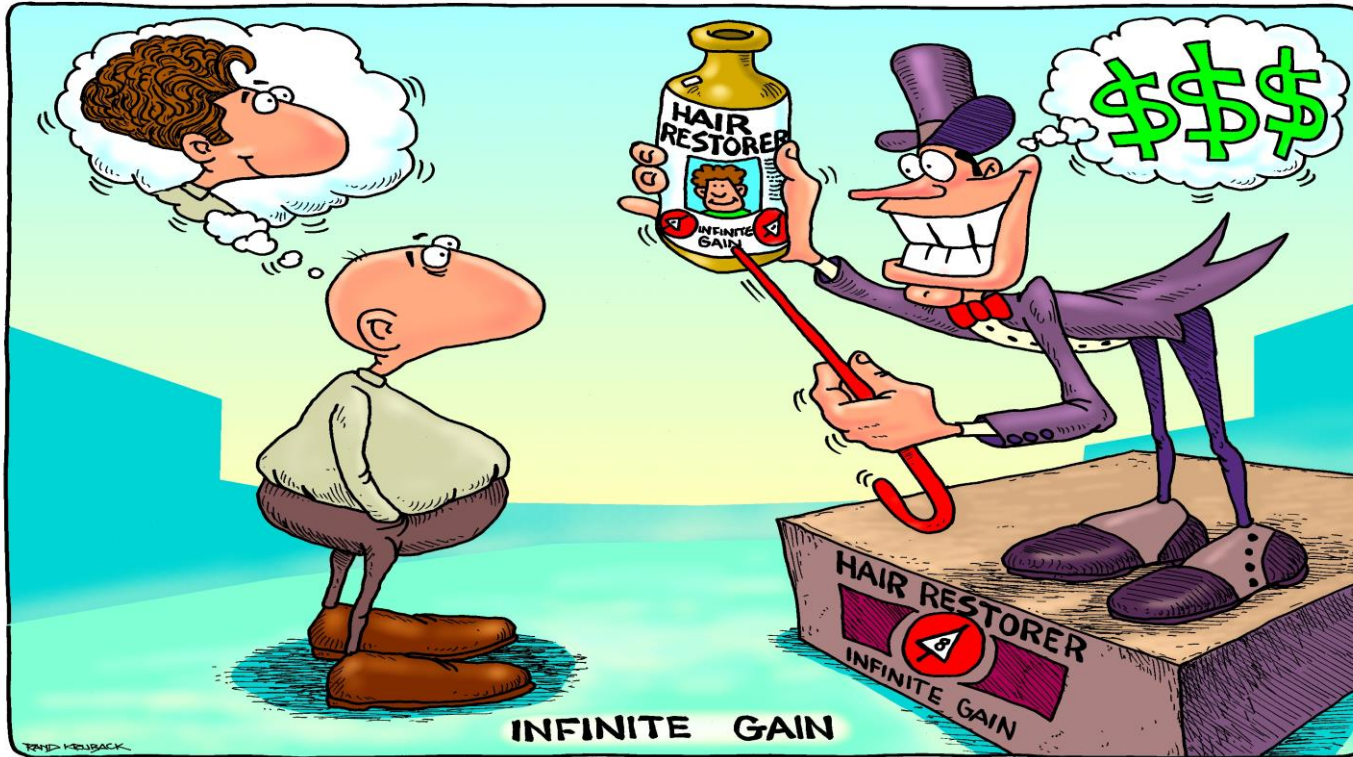
Short-term insurance providers must meet five strategic imperatives to meet changing customer demands and leverage new opportunities, and foster customer participation in a fully digitalised environment. These five imperatives are:

Be accessible: Customers want to interact via multiple channels; insurers should build the capability to meet evolving preferences.

Be trusted: Data management and ethics are core to building trust, which is essential to encourage digital engagement.

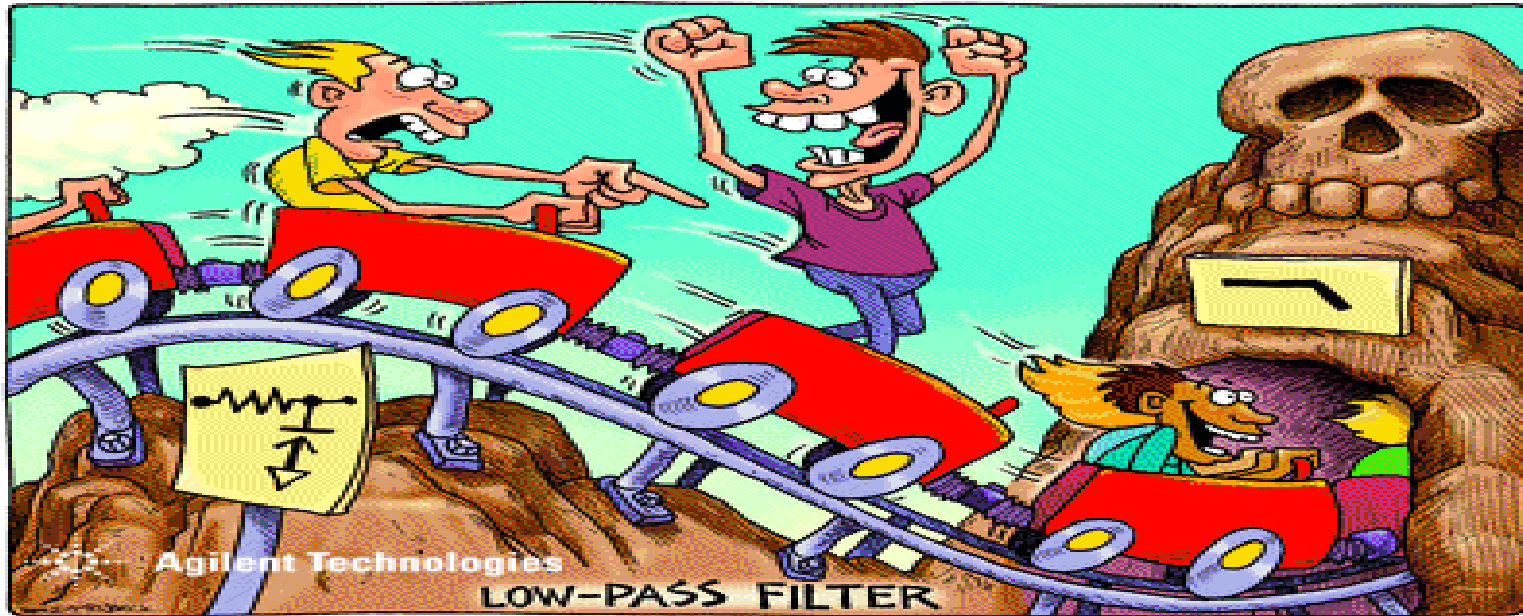
Be responsive: Insurers should address key areas in which they are failing to meet customer expectations, such as efficiency of claims services.

MAKE A VALUABLE PROFESSIONAL INSURANCE SERVICE OFFERING

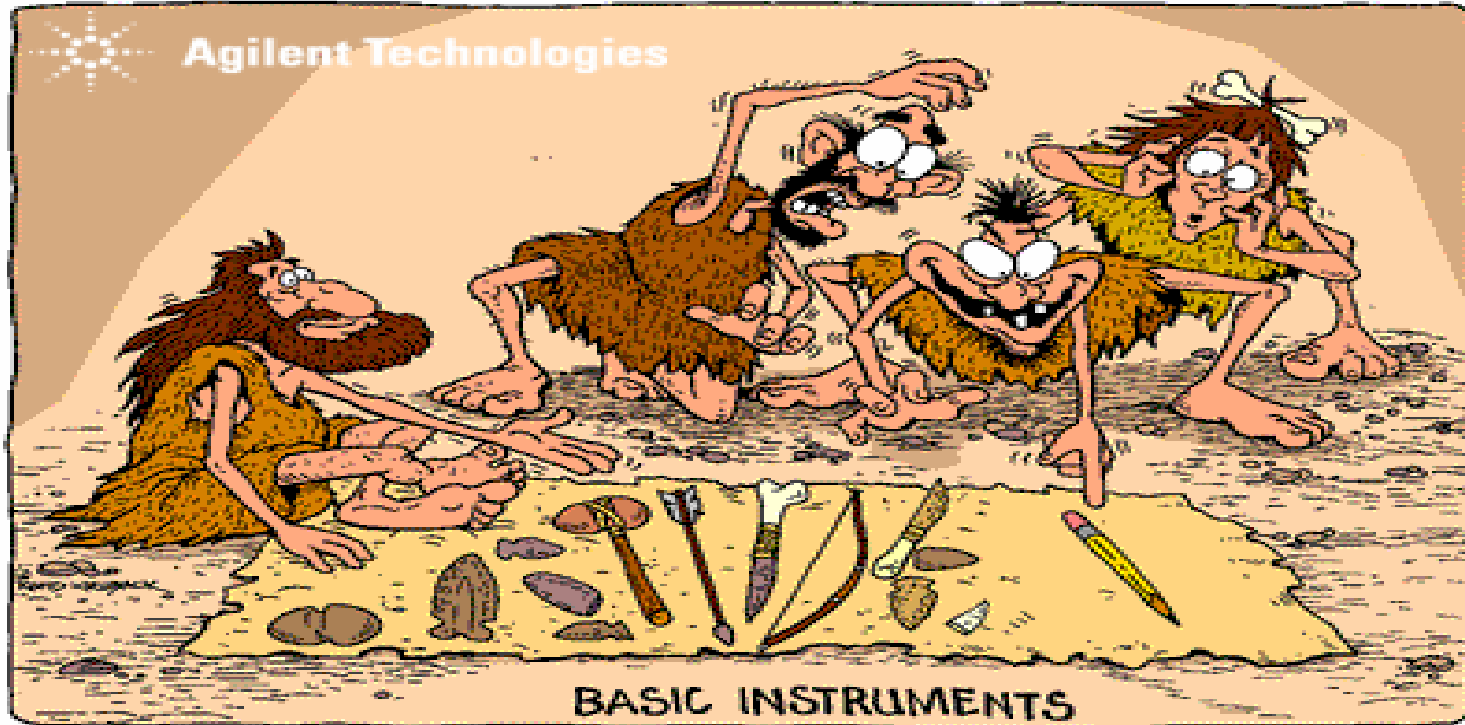


Source: Agilent Technologies/Rand Kruback

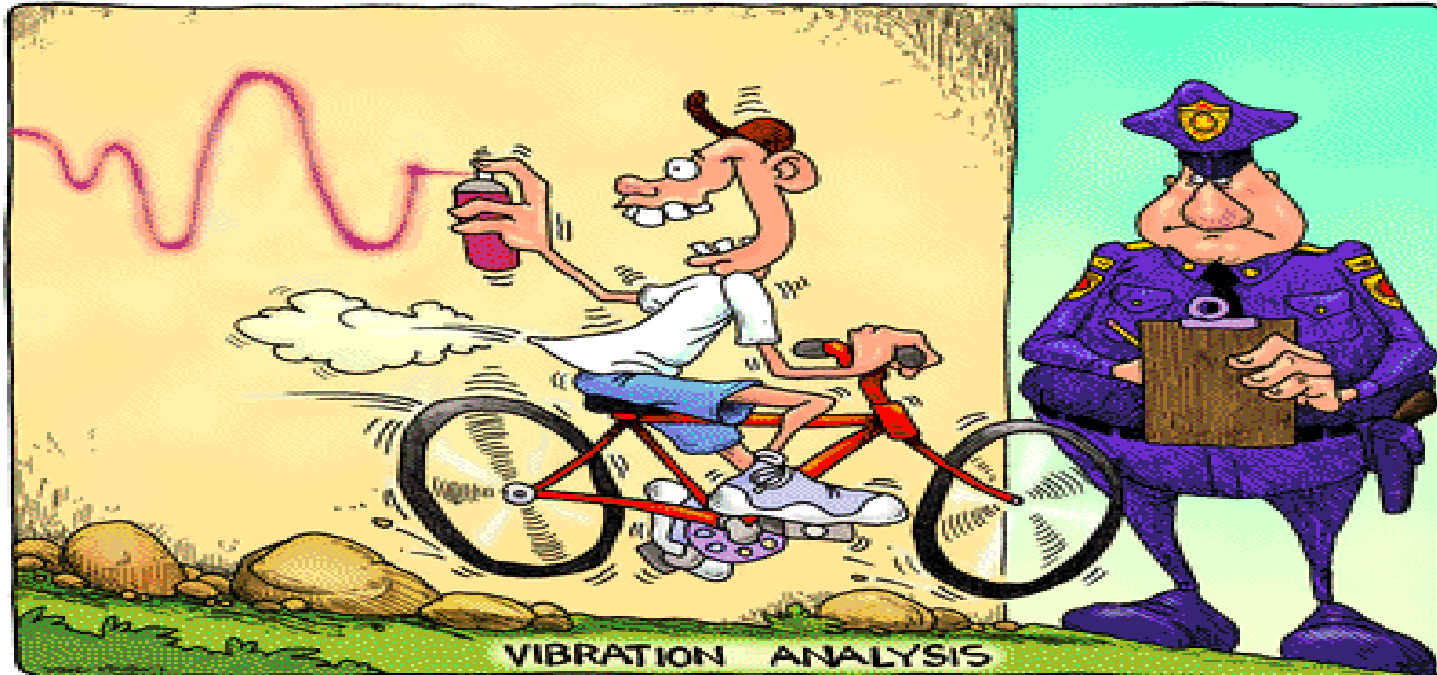
SPELL OUT CLEARLY THE SCOPE OF THE COVER “TREAT CUSTOMERS FAIRLY”



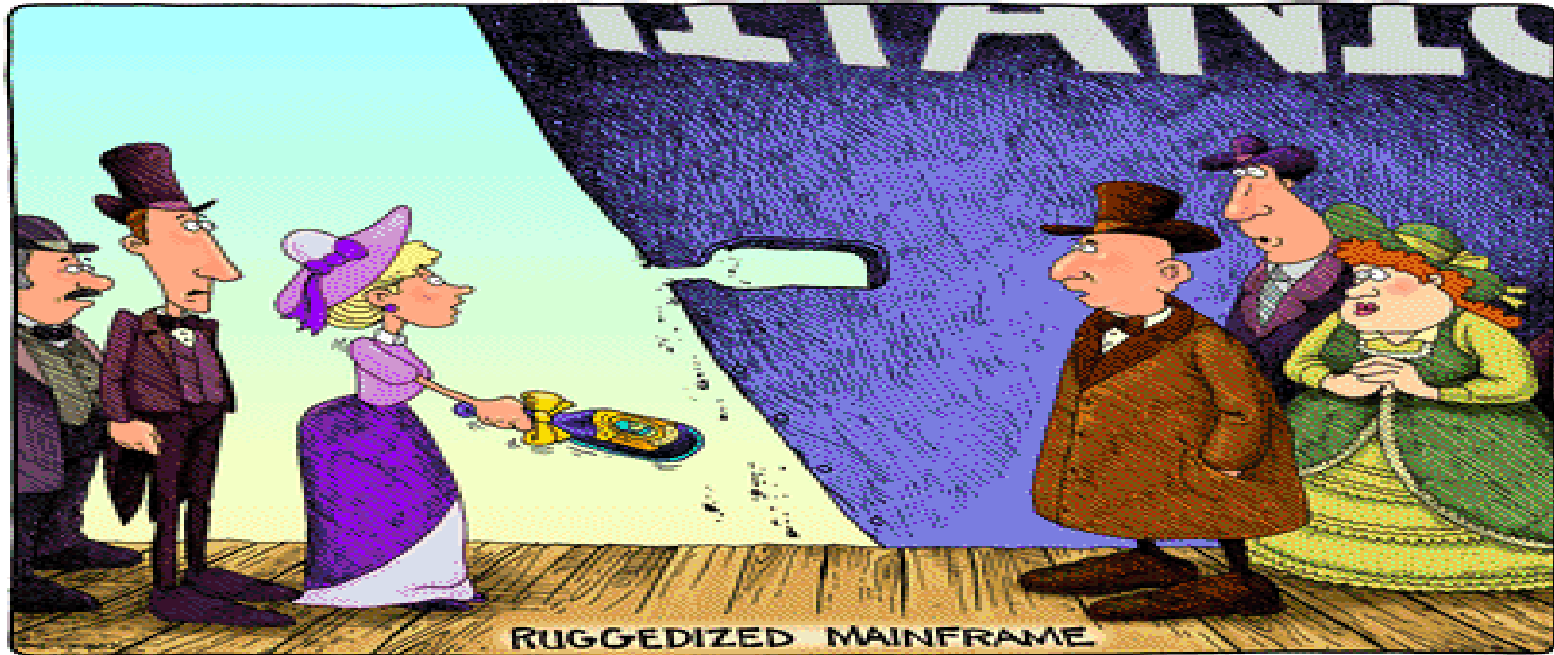
UNDERWRITE THE RISK PRE-LOSS AND NOT AT THE TIME OF THE LOSS



PRO-ACTIVELY MANAGE THE RISK TECHNICAL RISK SURVEYS INTRODUCE RISK MANAGEMENT BEST PRACTICES



MANAGE CLAIMS URGENTLY INTRODUCE BEST CLAIMS HANDLING PRACTICES TO INNOVATIVELY CONTAIN



**TRAINING
INTENSIFY EFFORTS TO DEVELOP
INSURANCE COMPETENCIES WITHIN THE**



OPPORTUNITIES AND THREATS?

Challenges facing the short - term sector:

Personal lines insurers are feeling the pinch of the economic downturn and the depressed housing market, and this is intensified by continued premium increases [sic]. Industry observers predict several fundamental changes over the next five

years, including:

- ☐ Greater commoditisation
- ☐ Decreasing profitability
- ☐ Automated underwriting
- ☐ Greater use of technology
- ☐ More proactive loss control
- ☐ Disintermediation
- ☐ Multiple distribution channels

They say the commercial lines market is more stable, with growing capacity and improved risk management. However, it too is facing changes, including:

- ☐ The rise of virtual business affinity groups
- ☐ Automated underwriting

IDENTIFIED TRENDS

Risk management is improving.

The commercial insurance industry is getting better at managing identified risks, but the landscape continues to change rapidly as the industry seeks new and better solutions.

Recognised risk concerns include:

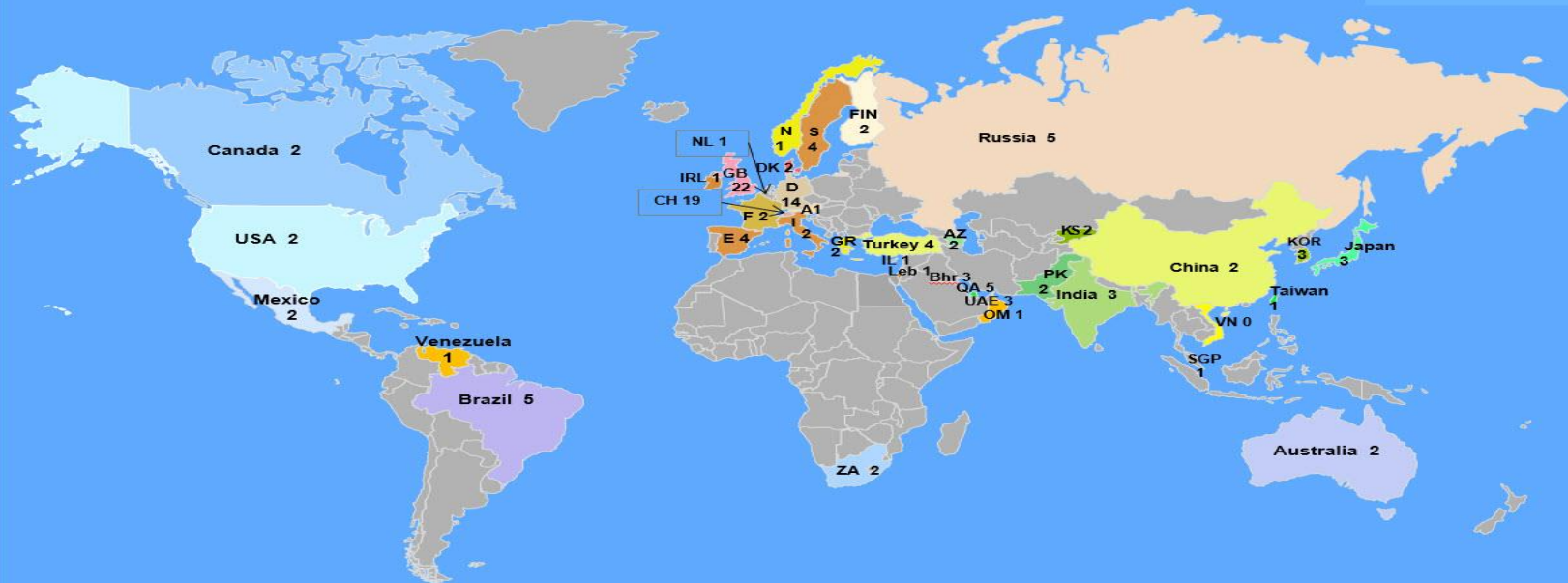
- o Regulatory change
- o Political uncertainty
- o Cyber security and privacy risks
- o Volatility of global financial markets
- o Slow recovery or double-dip recession
- o Reputation damage
- o Limited availability of top talent
- o Emerging technologies
- o Terrorism

IMIA: For Global Market Intelligence



The International Association of Engineering Insurers

Number of registered Delegates per Country Sep. 2016



135 Delegates in 38 Countries (85 Insurers, 23 Reinsurers, 10 Loss Adjusters, 8 Consultants, 9 Brokers)

Thank You for Your Attention