

Topic: Insurance Industry Outlook – 2024



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Insurance & Pensions Commission

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Presentation Outline

1. Context: Overview of the Zimbabwean Economy

2. Challenges

3. Industry Architecture

4. Regulatory Update

5. Data Trends

6. Market Dynamics

7. Emerging Risks

8. Market Conduct

9. Regulatory Reforms

10. Technological Adoption

11. Strategic Issues

12. Conclusion

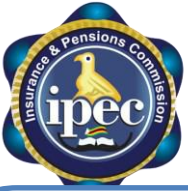


Context: Overview of the Zimbabwean

	2020	2021	2022	2023	2024
GDP Growth	-7.8%	8.5%	4%	5.3%	2%
Insurance Penetration Rate	1.25%	1.3%	1.5%	1.8%	1.6%
Finance & Insurance Activities Growth	12%	3%	4%	2.4%	5.6%
GPW Growth Insu Rev(2023)	-10%	44%	21%	-10%	
Manufacturing Cap Utilisation	47%	56.3%	56.1%	53.2%	56.4%

- The industry experienced huge growth in 2020 on account of US\$ policies
- Growth has averaged 3% during the past three years
- Manufacturing capacity utilization increasing but remained around 56% on account of new installed capacity
- Low insurance penetration points to untapped markets

- Real GDP growth in 2024 revised downwards from 3.5% to 2% due to regional drought
- Dollarisation breeds informality worsened by exchange rate misalignment
- Spread between ZWG Official and Alternative has been very low hence the use of formal banking channels
- However, in Q2 2024, fissures emerged on the ZWG with the premium widening on the alternative market



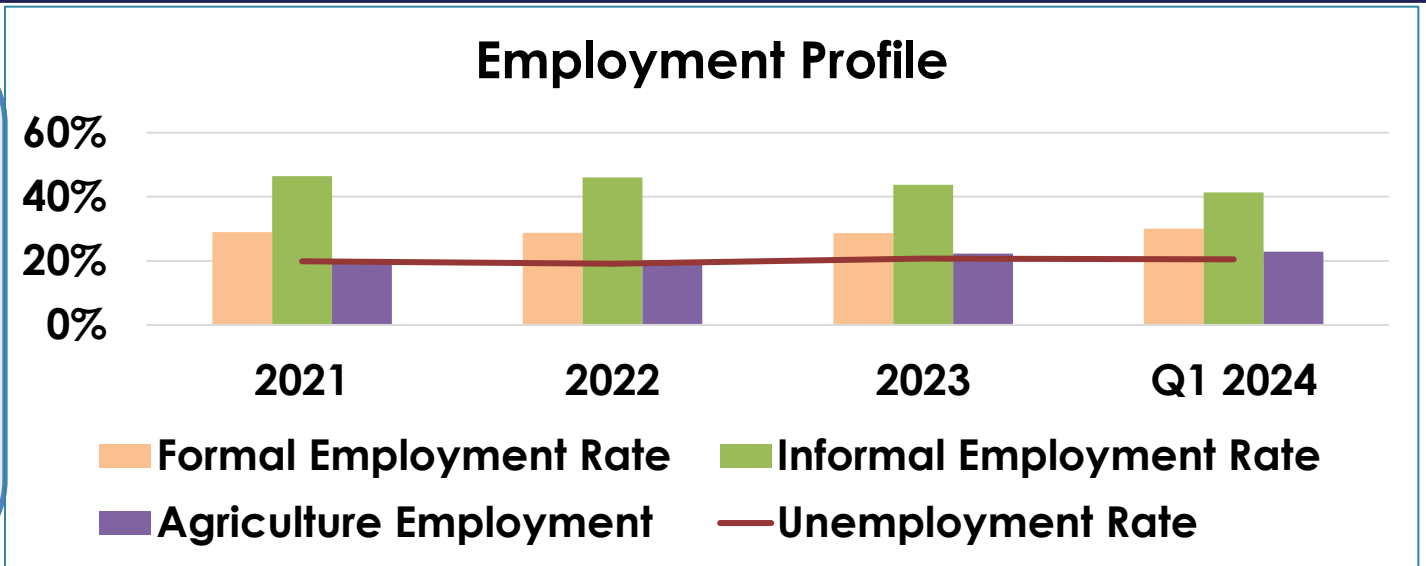
Challenges

Global Challenges

- Frequency and severity of natural disasters resulting in high loss ratios
- Elevated cyber security risks
- Technological disruptions
- Innovation and competition

Local Challenges

- Economic fragility due to hyperinflation episodes
- Low confidence and a shrinking life and pensions industry
- Low formal employment rate averaged 29% – need for innovative solutions
- Low disposable incomes – shrinking traditional insurance
- Indications of a mono currency – de-dollarisation on the impact of the card on the industry
- Infrastructure Gaps
- Work around on Third Party Motor Vehicle – Road Accident Fund & Third-Party Insurance





Industry Architecture Insights

Class of Insurance Sector	Period	
	December 2023	September 2024
Non- Life Insurance	20	20
Reinsurers	10	10
Life Assurance	12	12
Funeral Assurance	8	8
Insurance Broking	27	28
Reinsurance Broking	8	8
Micro insurers	11	16
Total	96	102

Insurers and reinsurers have remained static

In 2021 Microinsurers were 5 but now they are 16

There are companies interested in joining the industry

Whilst the industry has remained roughly the same product offerings have been diversified



Regulatory Update

Key Compliance Issues

ZICARP

- Risk-Based Supervision Blueprint
- Requires sound risk management practices and internal controls
- Prudential risk limits and sound internal controls

Governance

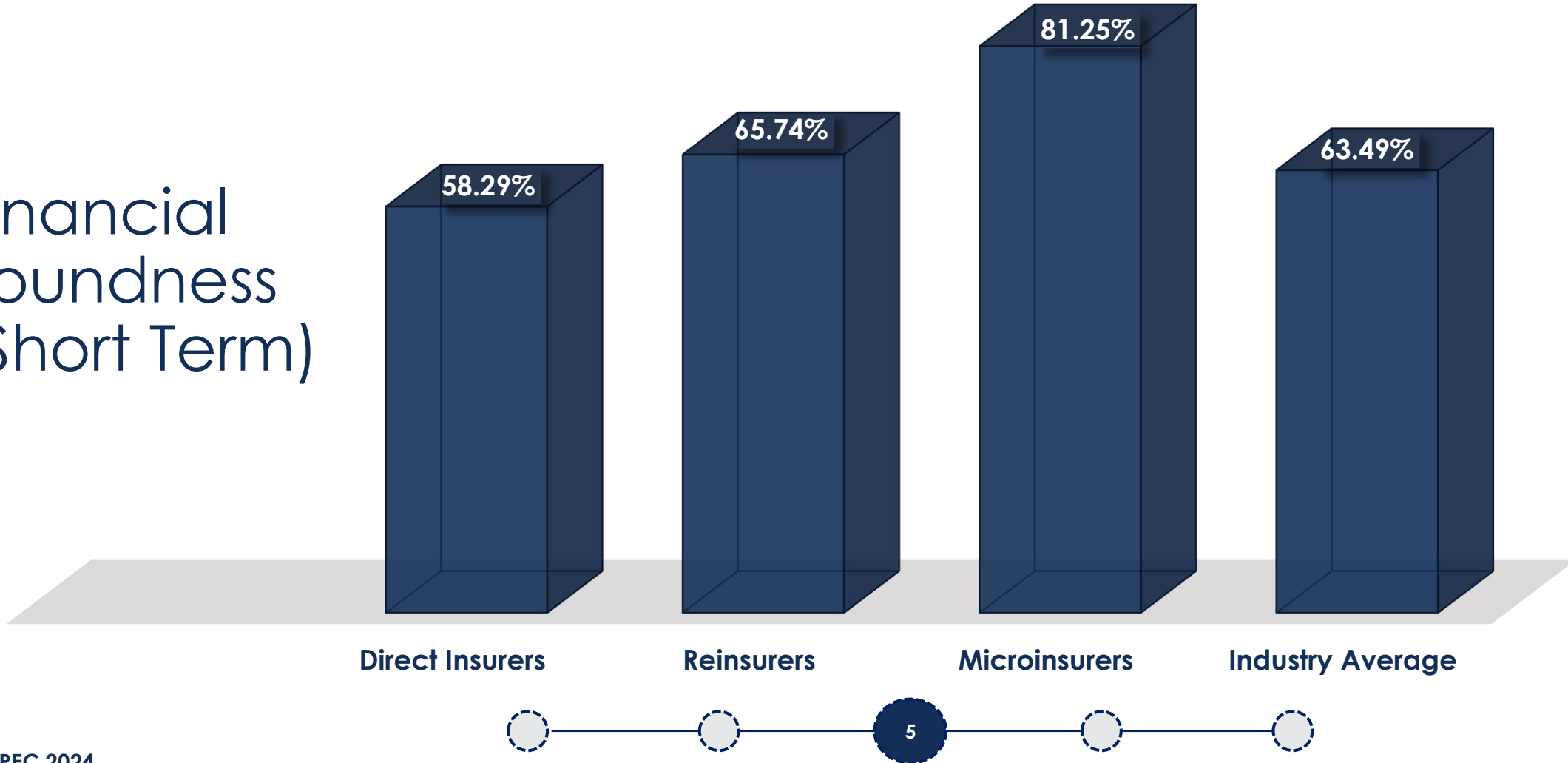
- Issue of shareholding
- Group structures and overbearing influence
- Unproperly constituted Boards
- Fit and Probity for CEO's
- Appointment to Boards, not being approved Commission

IFRS 17 Reporting

- Zimbabwe amongst early adopters of IFRS 17
- All insurers transitioned to IFRS 17
- Except funeral assures
- Very non-compliant sector

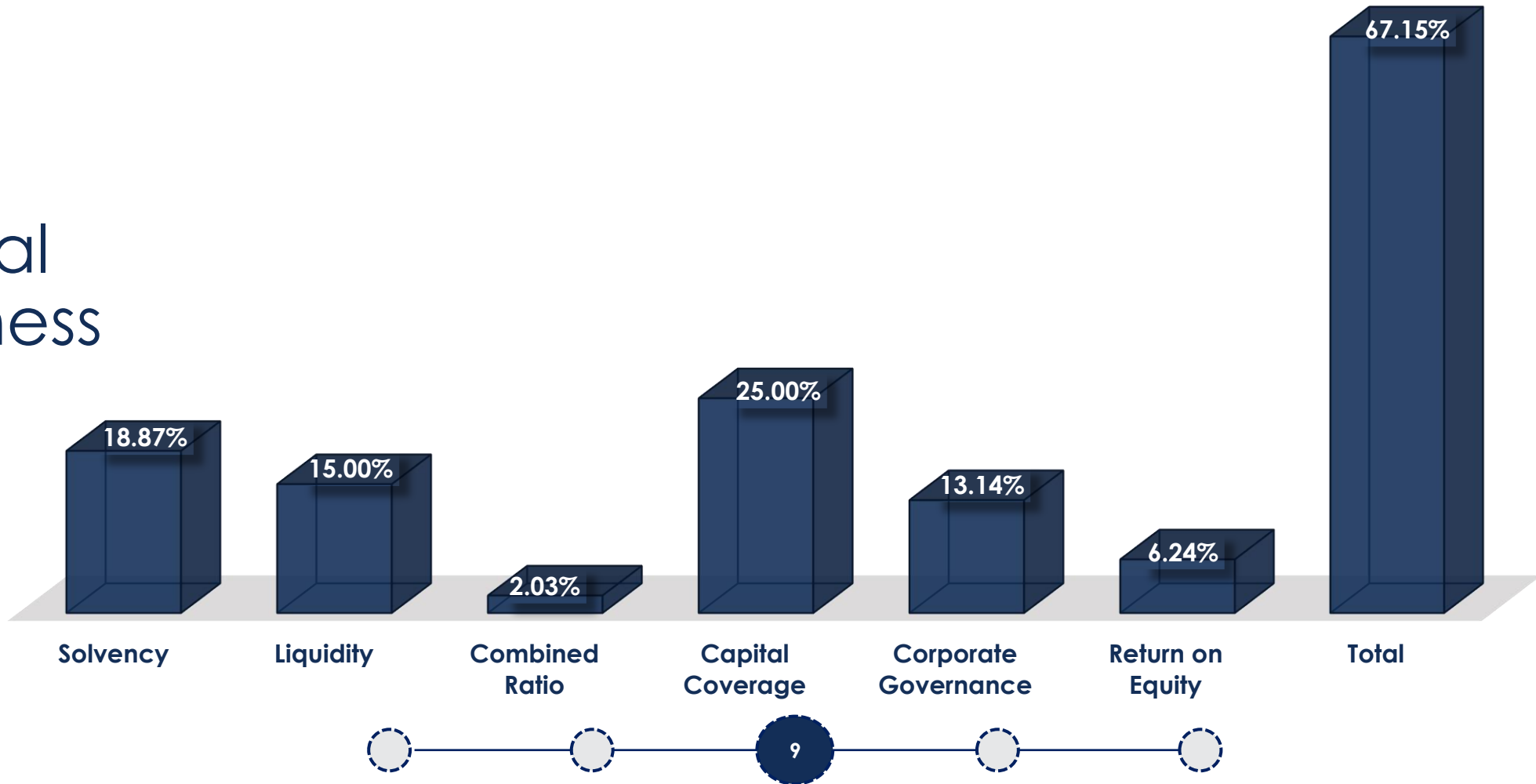
Insurance Industry Financial Soundness Q3 2024

Financial Soundness (Short Term)



Life Assurance Industry Financial Soundness Scores Q3 2024

Financial Soundness (Life)





Financial Soundness and Compliance Index

Life Assurance Industry Financial Soundness and Compliance Scores Q3 2024

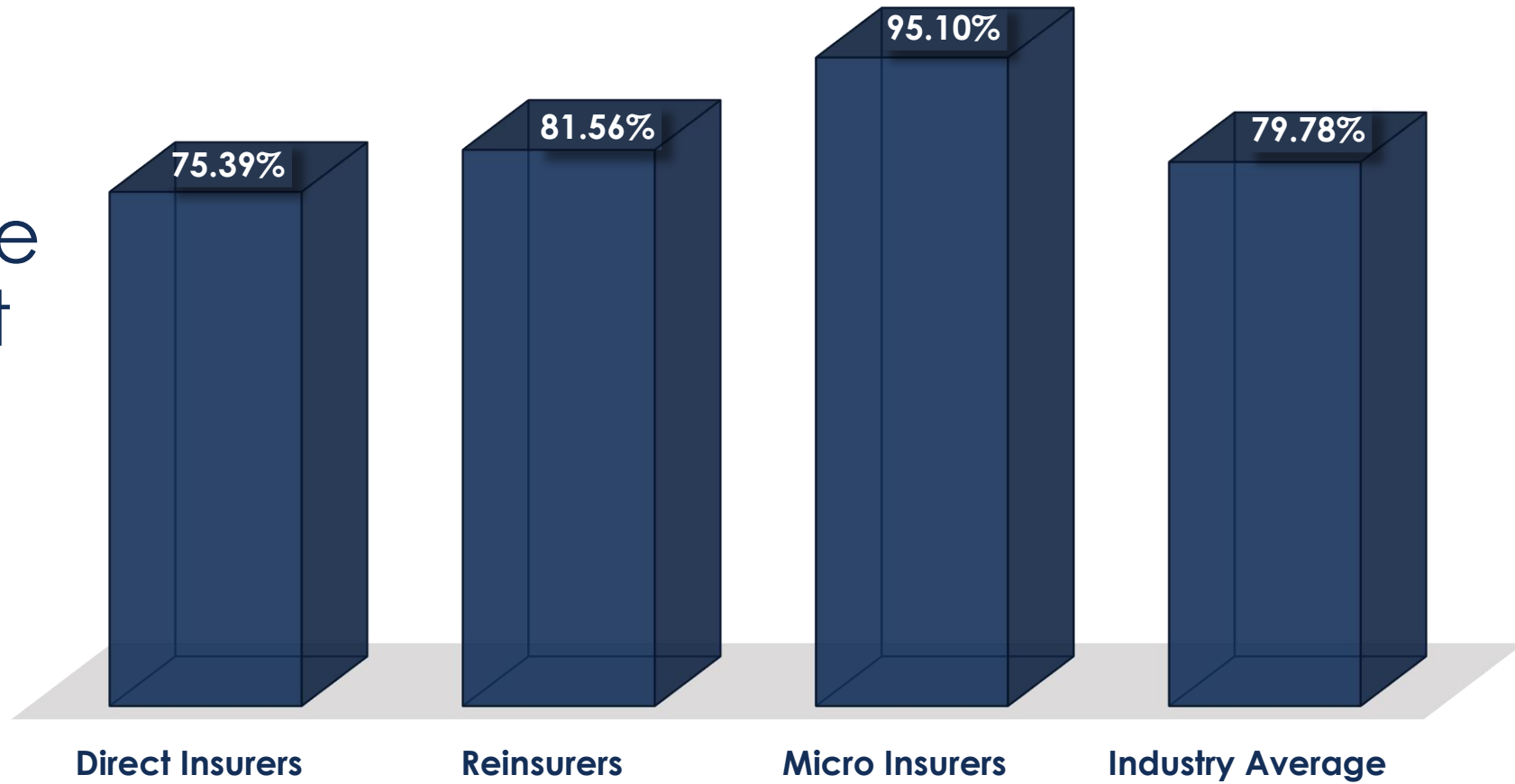
Financial Soundness Metric	Weight	Actual Score
Solvency	20%	18.87%
Liquidity	15%	15.00%
Combined Ratio	10%	2.03%
Capital Coverage	25%	25.00%
Corporate Governance	20%	13.14%
Return on Equity	10%	6.24%
Total	100%	67.15%

Compliance Index Metric	Weight	Actual Score
Minimum Capital Requirement	35%	26.25%
Asset Separation	10%	6.15%
Statutory Return	10%	4.79%
Asset Quality	25%	17.12%
Risk and Corporate Governance	20%	13.51%
TOTAL	100%	67.83%



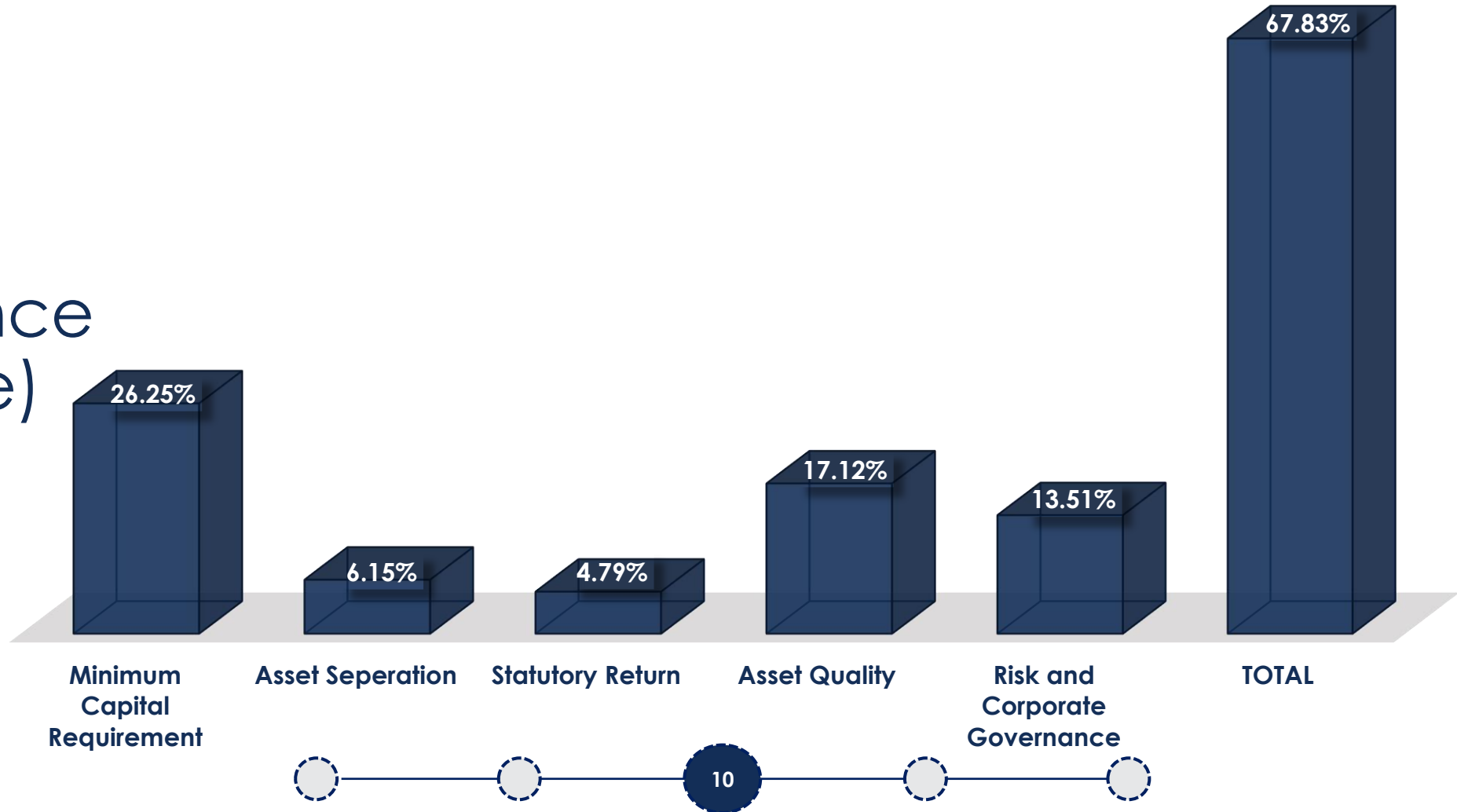
Insurance Industry Compliance Scores Q3 2024

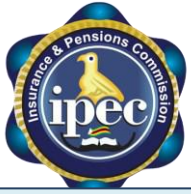
Compliance Index (Short Term)



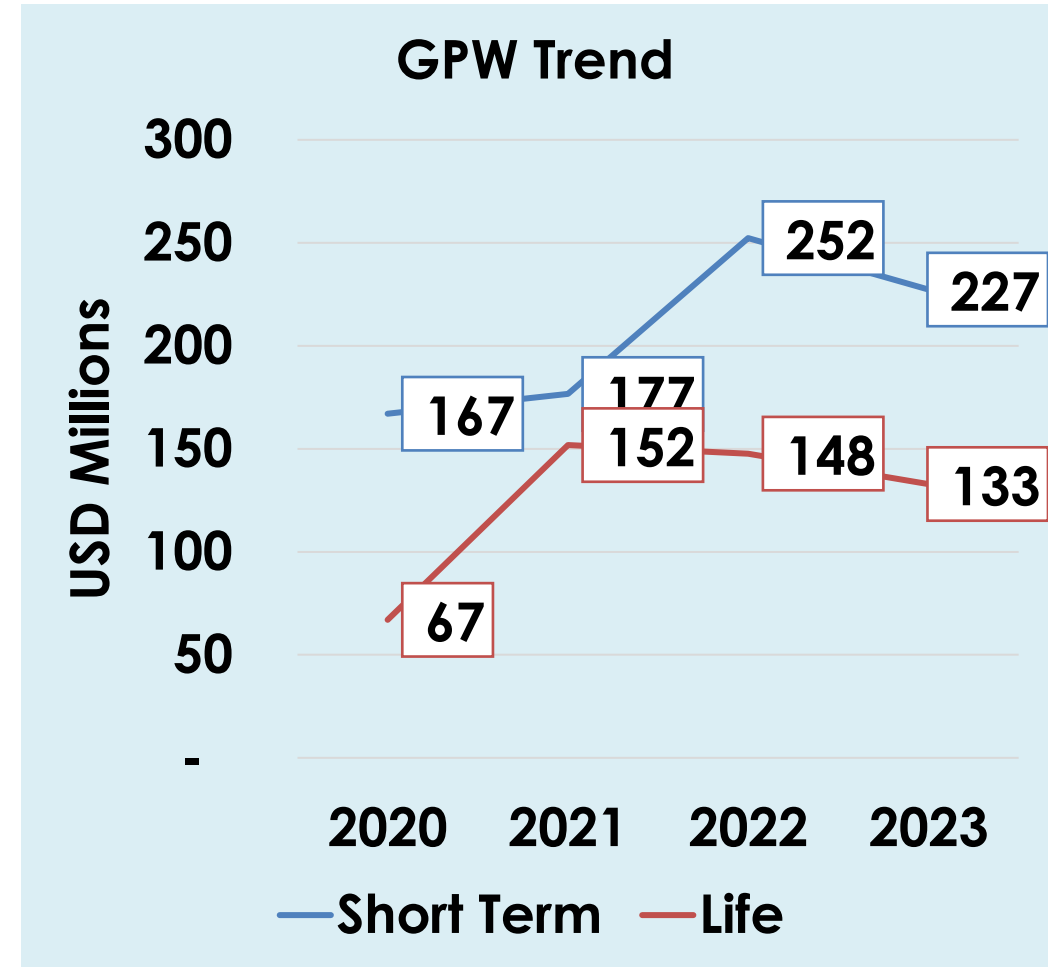
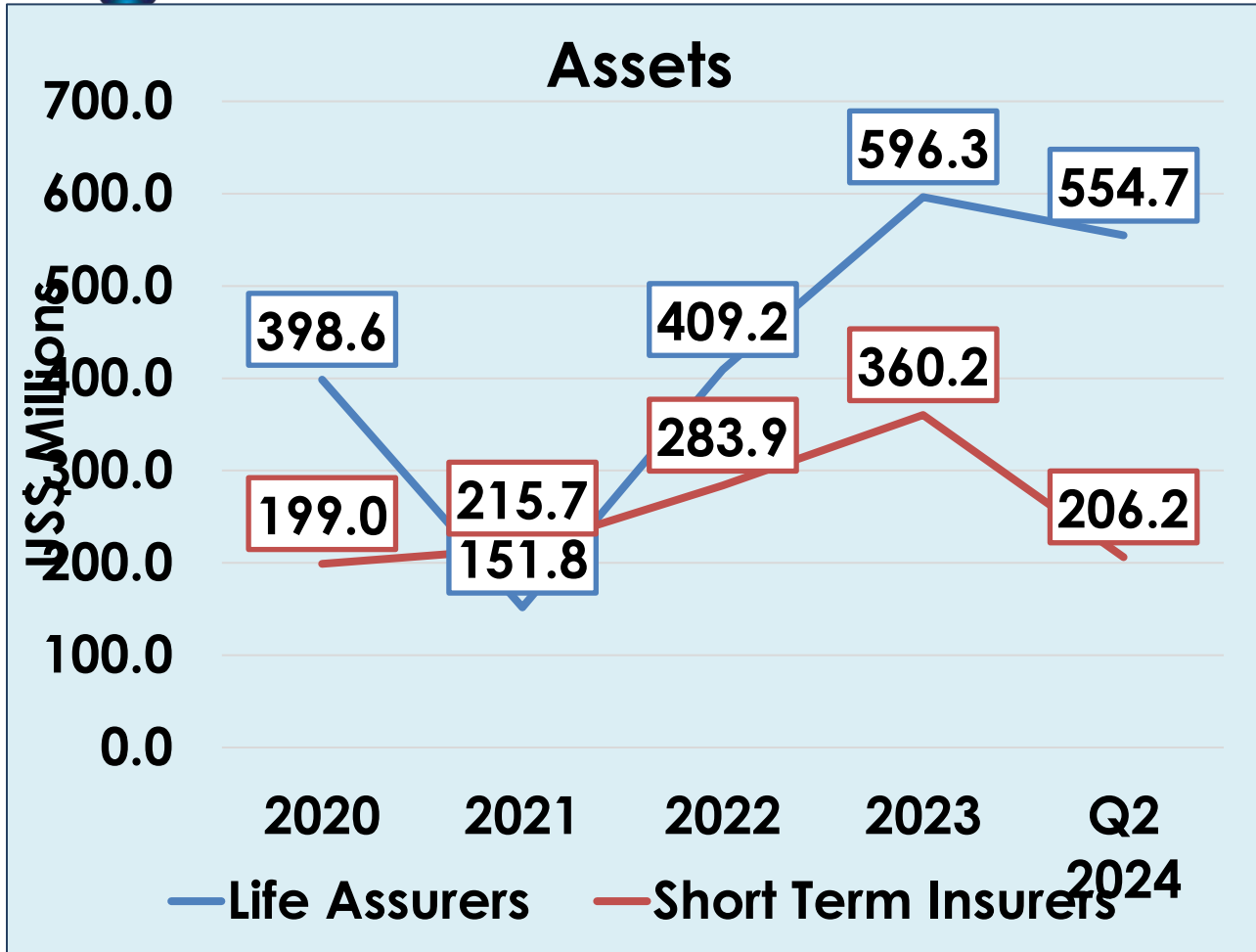
Life Assurance Industry Compliance scores Q3 2024

Compliance Index (Life)





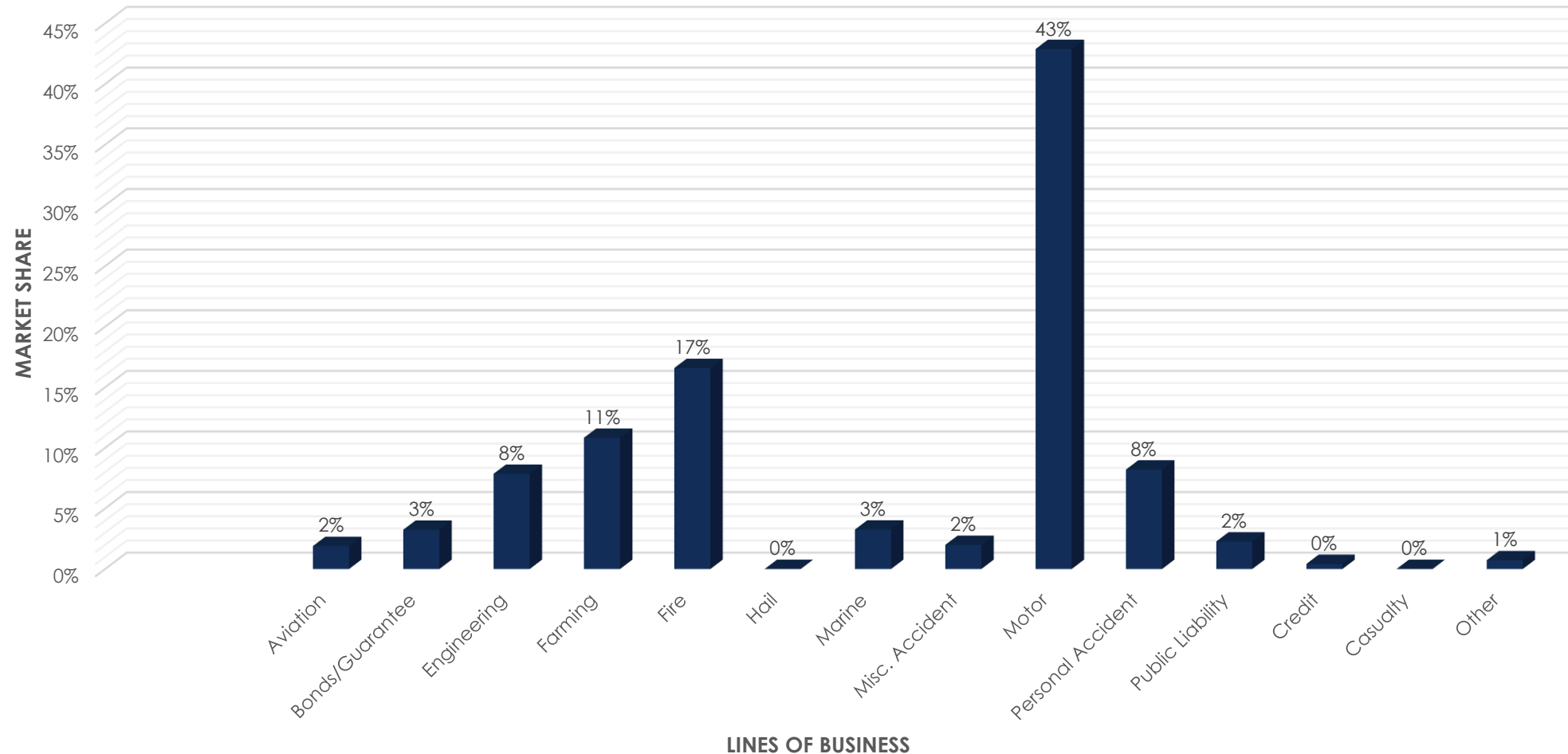
Data Trends - Assets



- Short-term industry assets generally growing
- Kinks in the assets growth consequence of exchange rate distortions.
- 2023 Figures (Insurance Revenue)

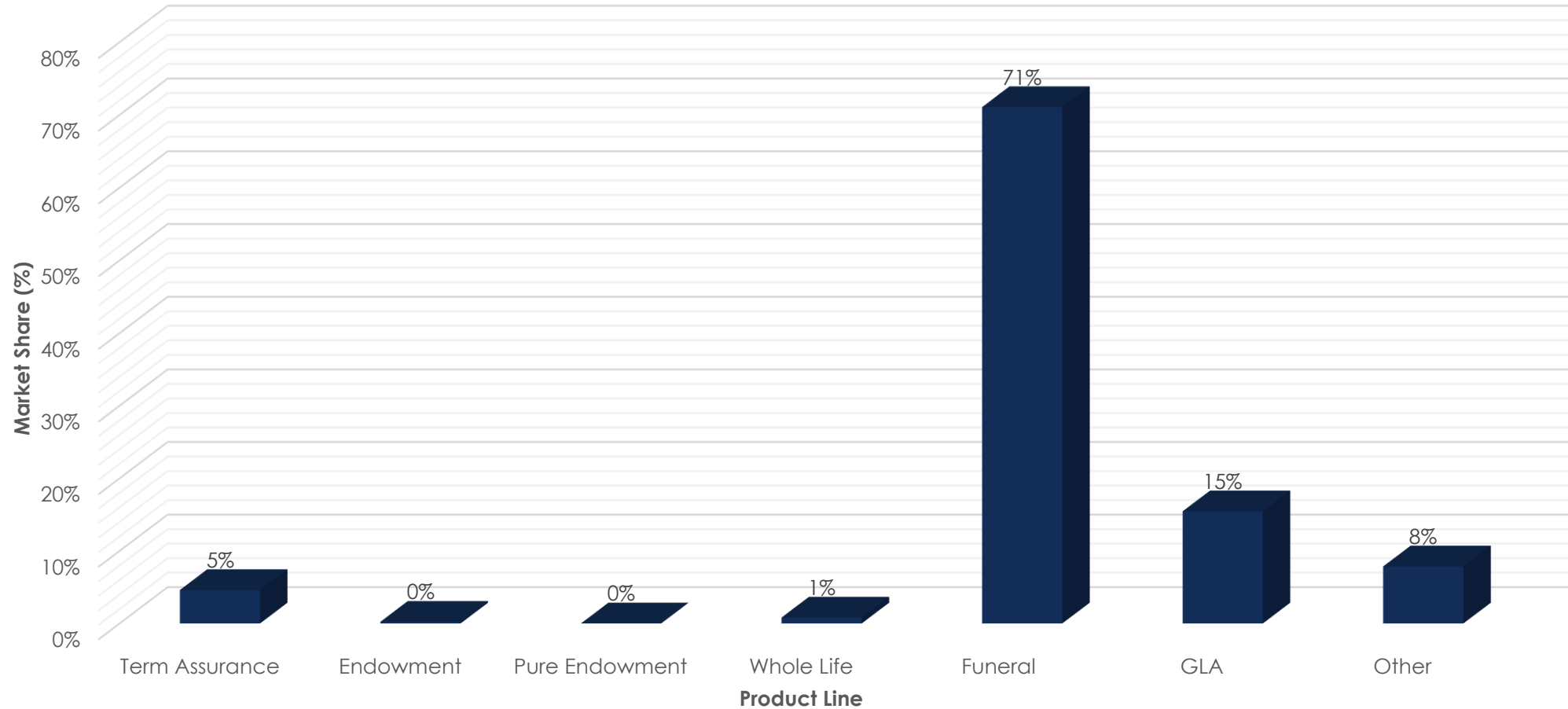
Market Dynamics/Product Innovation

Short Term Insurance Performance (Insurance Revenue) by Class of Business Q3 2024



Market Dynamics/Product Innovation

Life Assurance Performance (Insurance Revenue) by Class of Business Q3 2024



Market Dynamics/Potential Growth

Potential Growth Areas

- Health Insurance
- Cyber Insurance
- Climate Change Insurance (Index Insurance)





Top Ten Emerging Risks

Cyber Security

- Data breaches, hacking, and cyber attacks

Natural Catastrophes

- Earthquakes, hurricanes, floods, wild fires

Pandemics

- Global health crisis, Covid 19 Impact on economies

Climate Change

- Rising temperature, sea levels, droughts and floods

Fraud Risk

- Fraudulent claims, identity theft, deception

Regulatory Risk

- Changes in laws, threats of mono currency

Business Interruption

- Disruptions can lead to loss of income

Supply Chain Disruption

- Breakdowns in supply

Reputational Risk

- Negative publicity

Liability

- Lawsuits, negligence and errors



Market Conduct - Ethics In Insurance

Opaque marketing practices- including inducements for insurers

Delaying payments unreasonably

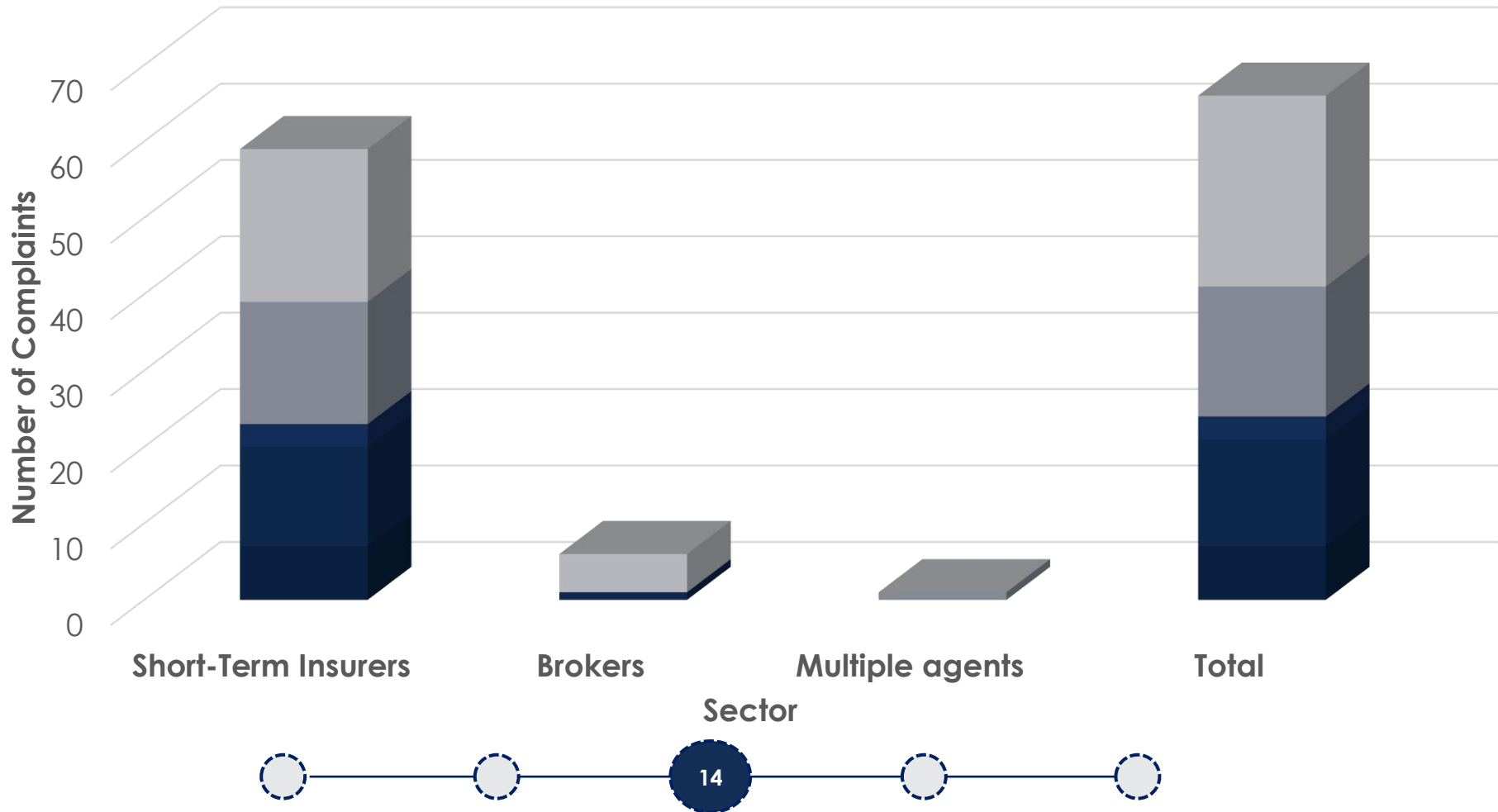
Denying a policyholder's claim despite overwhelming evidence to support it- claims paid in instalments

Mishandling /sharing of clients information

Abuse of interns

Complaints by Sector Q2 2024

- Delay in Settlement
- Insufficient Claim Document
- Tobacco/Wheat
- Repudiation
- Unsatisfactory Service



Consumer Protection



Consumer Protection

Complaints by Sector Q2 2024

	Short-Term Insurers	Brokers	Multiple agents	Total
Delay in Settlement	7	0	0	7
Insufficient Claim Document	13	1	0	14
Tobacco/Wheat	3	0	0	3
Repudiation	16	0	1	17
Unsatisfactory Service	20	5	0	25
Total	59	6	1	66

Other efforts

- Other efforts focused on enhancing awareness, transparency and fairness:
 - Workshops/Roadshows at various schools and growth points
 - Various agricultural and other exhibitions
 - Radio programs for consumer education

Regulatory Reforms

Insurance Bill



Delays in enactment of the Insurance Bill

Bill relapsed at dissolution of the 9th Parliament: awaiting republication of the same

Microinsurance Framework



Amendments to the Microinsurance Framework through Circular 4 of 2024

Regulatory reforms

No Premium No Cover

Enforcement of compliance with the No Premium No Cover regulation (SI 81 of 2023) to ensure policy holder protection.

45% of insurers recorded premium debtors in Q2 amounting to ZWG1,671,494,467

IFRS 17

Adoption and implementation of the standard.

Technological Adoption

ICT Issues

- Insurers are encouraged to use locally developed systems to enhance the security of policyholder information, enhancing transparency and convenience.
- Insurers to utilize digital platforms for data analytics in risk assessment.





Strategic Issues In Insurance



PAIN POINTS



Product Diversification
Life – mainly funeral product



Third-party Motor Insurance



Informatisation



Unregistered companies



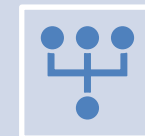
SOLUTIONS



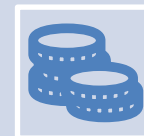
Innovation and Product Diversification



Engagement & dialogue with all stakeholders



Promote Micro Insurance products and relevant products



Blitz with ZRP
Publishing registered entities

Conclusion

- The insurance industry's outlook for 2024 is characterized by both challenges and opportunities.
- The industry has the potential for significant growth, given regulatory support, innovation, technology, and increased financial literacy.
- We will continue working together to address challenges and promote a vibrant insurance industry contributing to Zimbabwe's economic development.

**Comments,
Reactions
Questions**

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