

CATASTROPHE RISK MANAGEMENT: STRATEGIES FOR AFRICAN INSURANCE COMPANIES

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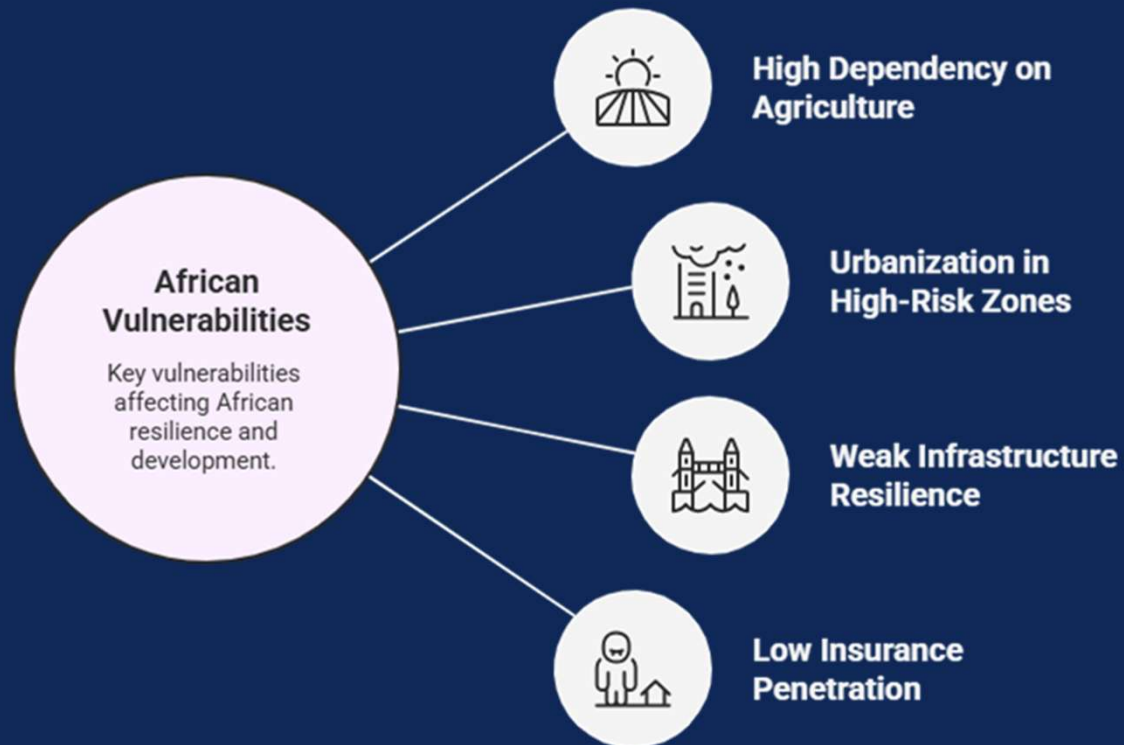
INTRODUCTION

Africa faces increasing vulnerability to droughts, floods, cyclones, and wildfires.

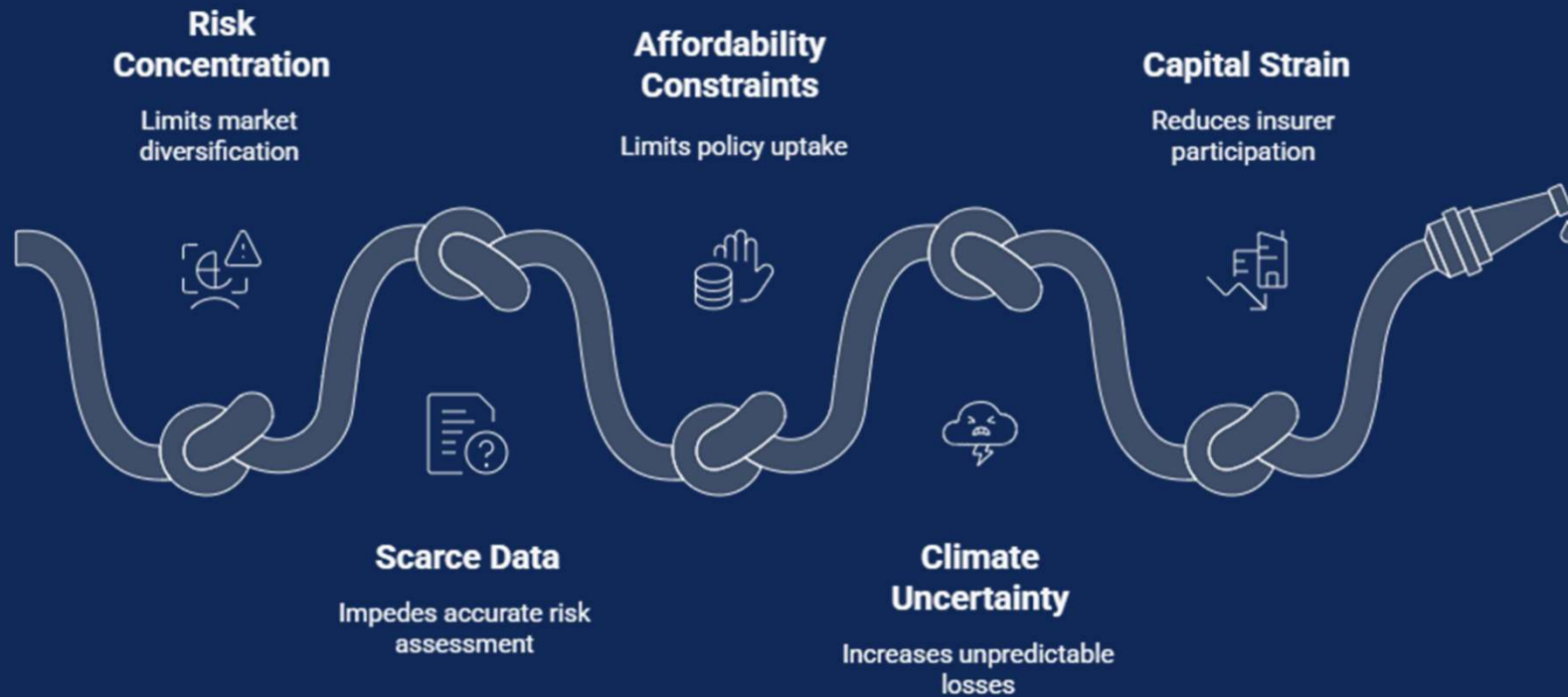
Climate change intensifies severity and frequency.

Catastrophe risk management is critical for insurer solvency and market stability.

AFRICAN VULNERABILITY PROFILE



KEY CHALLENGES FOR INSURERS





CASE STUDY – SEPTEMBER 11, 2001

Although not a natural disaster, September 11 remains a benchmark for the insurance industry's ability to respond to sudden, severe, and correlated catastrophic losses.

- Total insured losses: ~\$40 billion.
- Multiple classes of Business affected
- Over 100 insurers/reinsurers impacted.

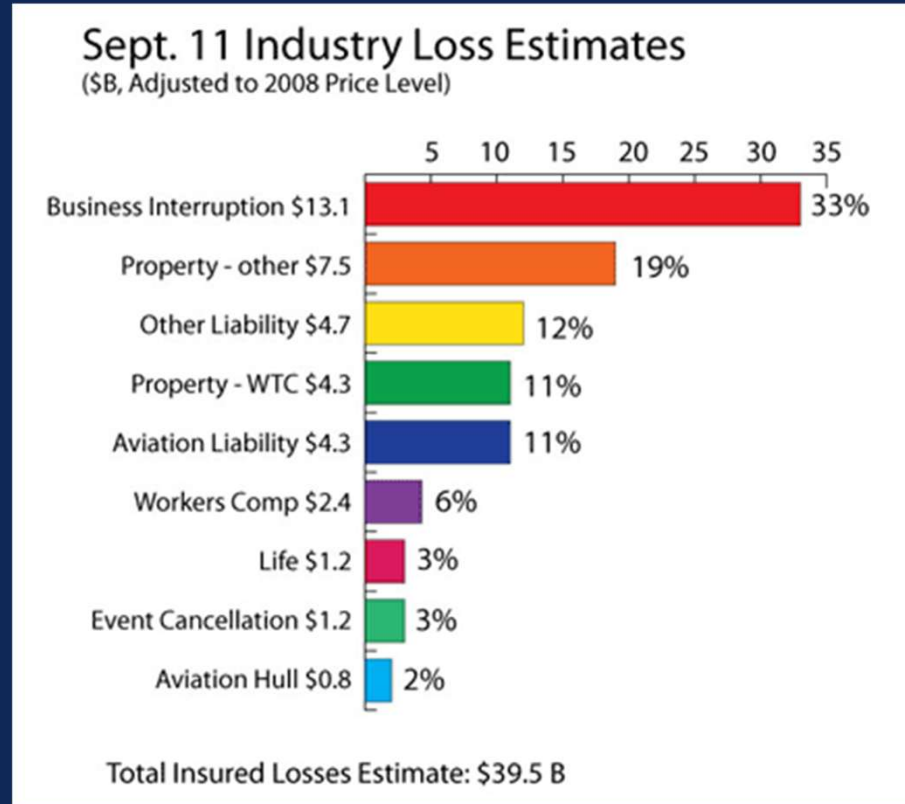
CASE STUDY – SEPTEMBER 11, 2001

HUMAN & ECONOMIC TOLL

CASE STUDY – SEPTEMBER 11, 2001

- Over 100 insurers and reinsurers affected;
- Lloyd's of London faced **-\$5.36 billion**
- Munich Re **-\$1.84 billion**
- Swiss Re **-\$1.25 billion.**

9/11 INSURED LOSSES BY INSURANCE LINE

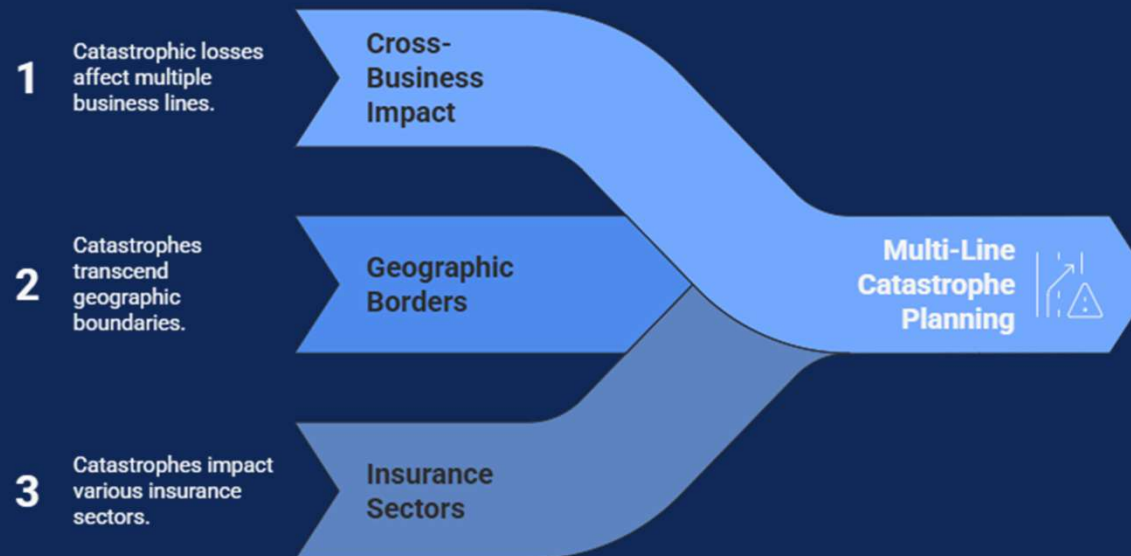


Insured losses and claims after the September 11, 2001 terrorist attacks.

(Source: "9/11 and Insurance: The Eight Year Anniversary," Insurance Journal, September 11, 2009)

CASE STUDY – SEPTEMBER 11, 2001

○ Lessons for African insurers





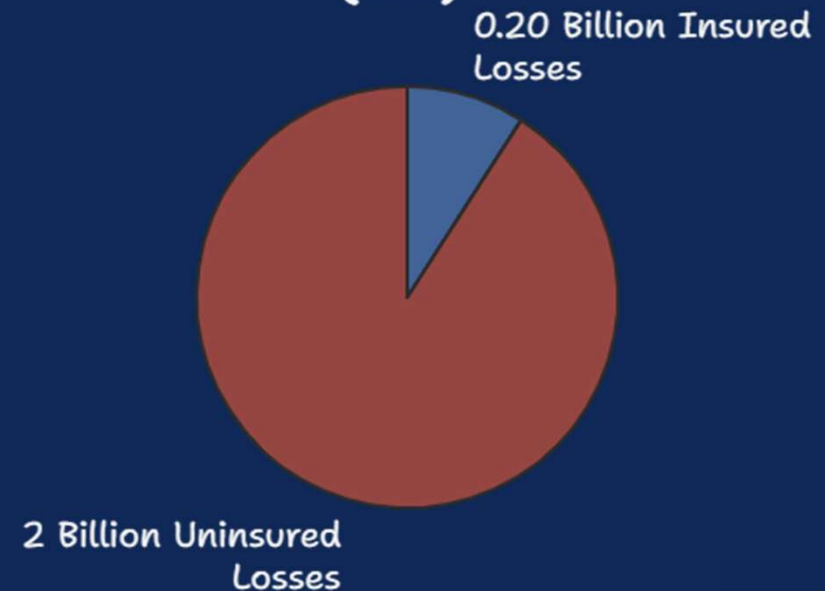
AFRICAN CASE STUDIES

- Cyclone Idai
- Cyclone Kenneth
- Cyclone Freddy
- Botswana floods

CASE STUDY – CYCLONE IDAI (2019)

- Insured Losses: -USD 0.2 billion
- Uninsured Losses: -USD 2.0 billion
- Insurance penetration was extremely low, highlighting protection gaps.
- Prompted renewed interest in Parametric & Sovereign Risk Pool Covers

Distribution of Insured and Uninsured Losses (USD)



CASE STUDY – CYCLONE KENNETH (APRIL 2019)

- Economic losses: Significant locally in Cabo Delgado, Mozambique.
- Insured losses: Very limited due to extremely low insurance penetration in the north.
- Market effect: Minimal direct insured loss relative to economic damage; reinsurers aggregated Kenneth with Idai in global reporting.



CASE STUDY –CYCLONE FREDDY (2023)

- **Economic losses:** Hundreds of millions USD; catastrophic humanitarian damage in Madagascar, Mozambique, Malawi.
- **Insured losses:** Very small; some payouts in commercial and multinational corporate sectors.
- **Market effect:** Triggered interest in parametric covers and sovereign risk pools like African Risk Capacity (ARC).



Economic Losses

Hundreds of millions USD; catastrophic humanitarian damage.



Insured Losses

Very small; some payouts in commercial sectors.



Market Effect

Triggered interest in parametric covers and risk pools.

CASE STUDY – BOTSWANA FLOODS (FEBRUARY 2025)

- Extreme rainfall (16–20 Feb 2025)
- Event return period: ~40 years; ~60% more intense due to climate change.



Deaths

Nine people died in Botswana due to the flooding.



Displacement

Over five thousand people were displaced from their homes.



Infrastructure Failure

Major infrastructure and sanitation systems failed.



School Closures

Schools were closed due to the severe flooding.

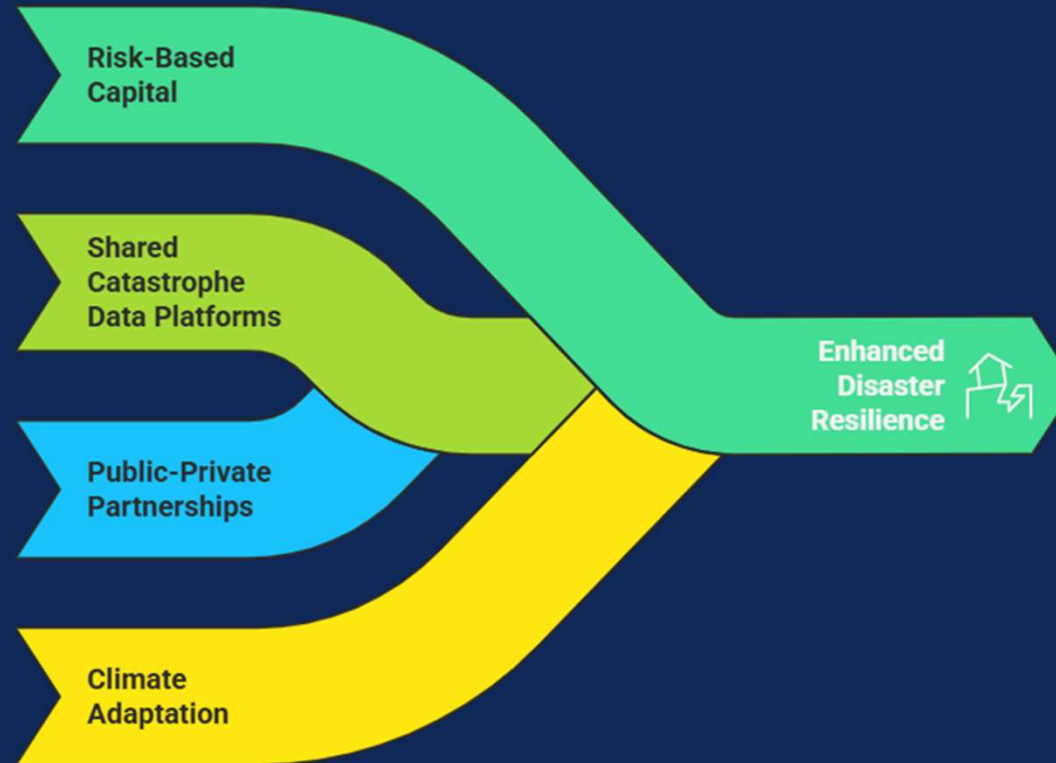
COMPARATIVE LOSS TABLE

Event	Economic Loss	Insured Loss	% Insured
9/11 Attacks	\$40–70 billion	\$40–70 billion	~100%
Cyclone Idai	\$2.0–2.3 billion	~ \$150 million	~7%
Cyclone Kenneth	Significant	Minimal	<5%
Cyclone Freddy	Hundreds of millions	Minimal	<5%

LESSONS FROM CASE STUDIES

RISK TRANSFER INSTRUMENTS

REGULATORY & POLICY MEASURES



CONCLUSION

Catastrophe risk management is essential for African Insurance Sector resilience

Use global and African Lessons to design robust re/insurance strategies

Build partnerships with governments, development banks and regional risk pools

THANK YOU

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