



African  
Insurance  
Organisation



# A GENERAL OVERVIEW OF GLOBAL REINSURANCE TRENDS

28<sup>th</sup> AIO African Reinsurance Forum  
2024, 2<sup>nd</sup> session

Date: 14<sup>th</sup> October 2024

# AGENDA

- 1) **The Macro environment – economic fundamentals**
- 2) **Socio-political aspects**
- 3) **Natural Catastrophes**
- 4) **Profitability of Reinsurers**
- 5) **Environmental, Social and Governance (ESG)**
- 6) **Developments in the Retro market**

# MODERATOR



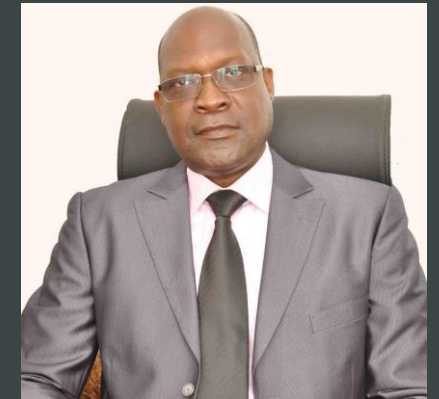
**Jean-Alain Francis -  
CEO EllGeo Re**



# PANELISTS



**Dr Corneille Karekezi  
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Africa Re Group**



**Mr Adama Ndiaye –  
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**Mr Attilio Tornetta  
Managing Director - Head of R/I Africa  
Howden Re**

# THE ECONOMIC CONTEXT

Growth, Inflation, Currency depreciation, Interest rates

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# REAL GDP GROWTH (Annual % change)

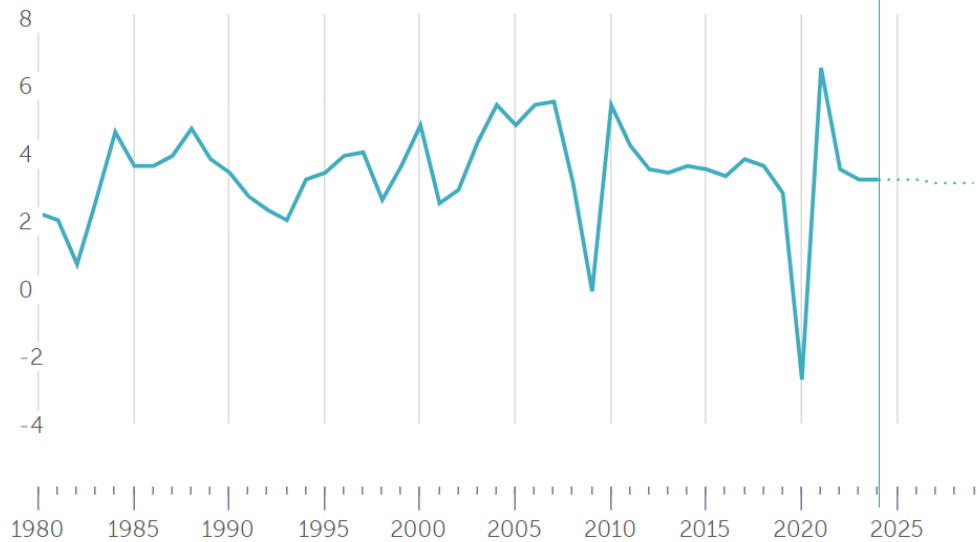
(IMF DataMapper)

## WORLD

2024

TREND (1980-2029)

Annual percent change

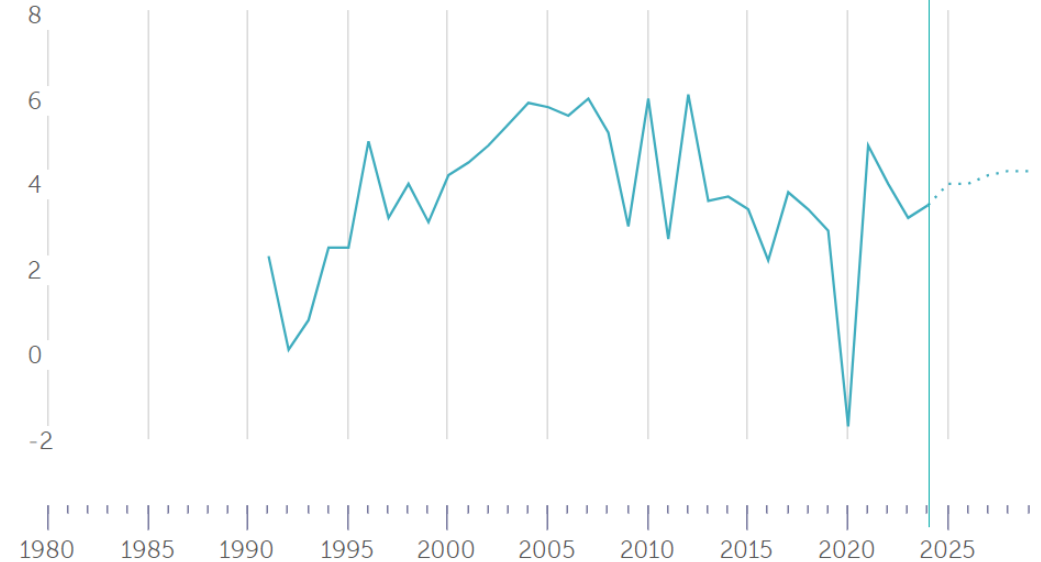


## AFRICA

2024

TREND (1980-2029)

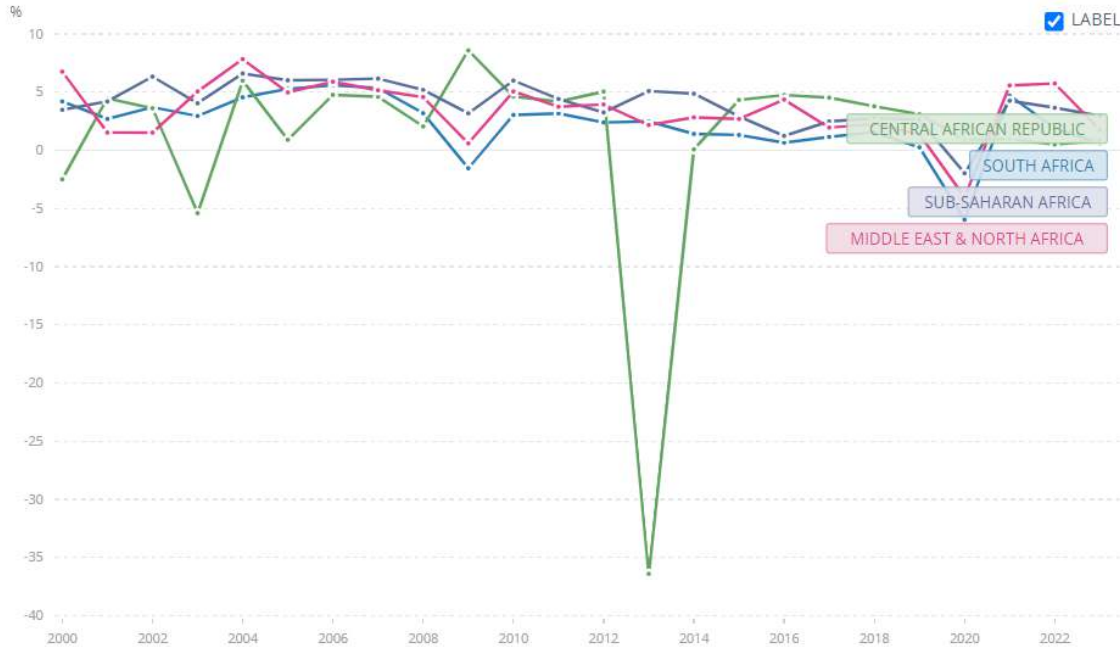
Annual percent change



The global economic outlook is stabilizing amid continuing economic uncertainty. Growth perspectives are positive but remain uncertain for the Middle East and North Africa while Sub-Saharan Africa look poised to surpass global growth averages.

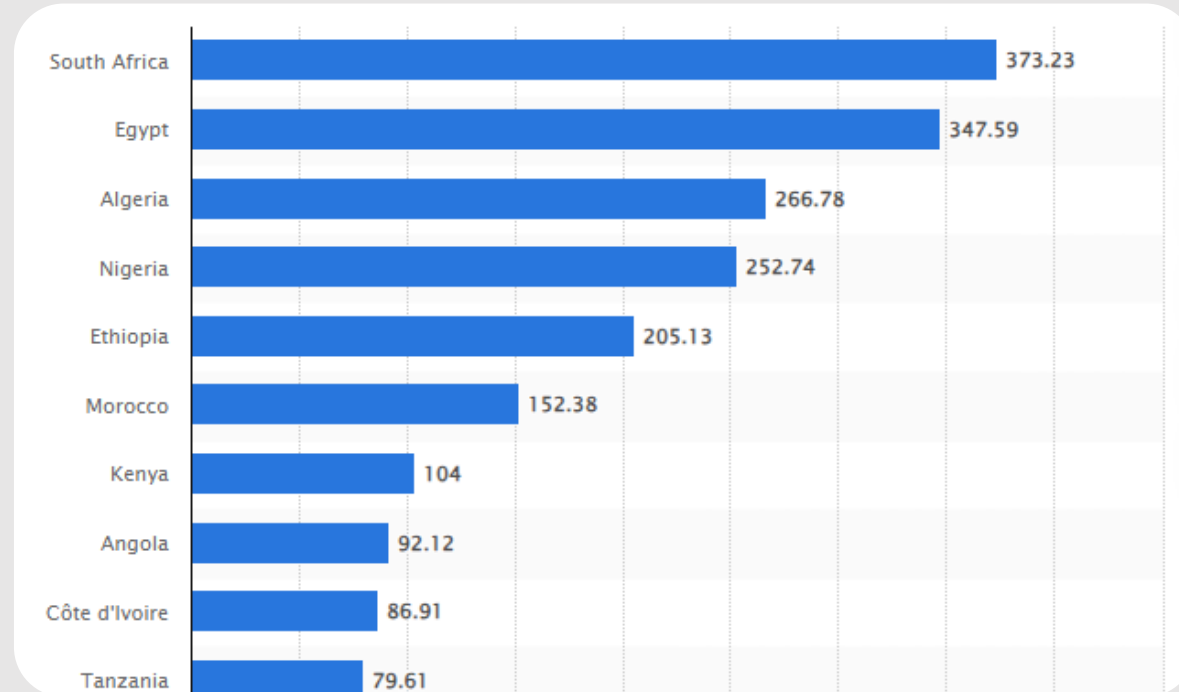
# GDP in Africa

**GDP Growth (Annual %) per region**



Despite facing multiple and overlapping shocks, African economies remain resilient, with their average growth projected to stabilize in 2024–25. The growth outlook in 2024-25 is heterogenous across Africa’s regions and economic groupings, reflecting differences in the structure of economies, commodity dependence, and the domestic policy responses to mitigate the impact of these shocks. (Source: African Economic Outlook 2024)

**Top 10 African countries with the highest Gross Domestic Product (GDP) in 2024 (in billion U.S. dollars)**



(Source: Statista)

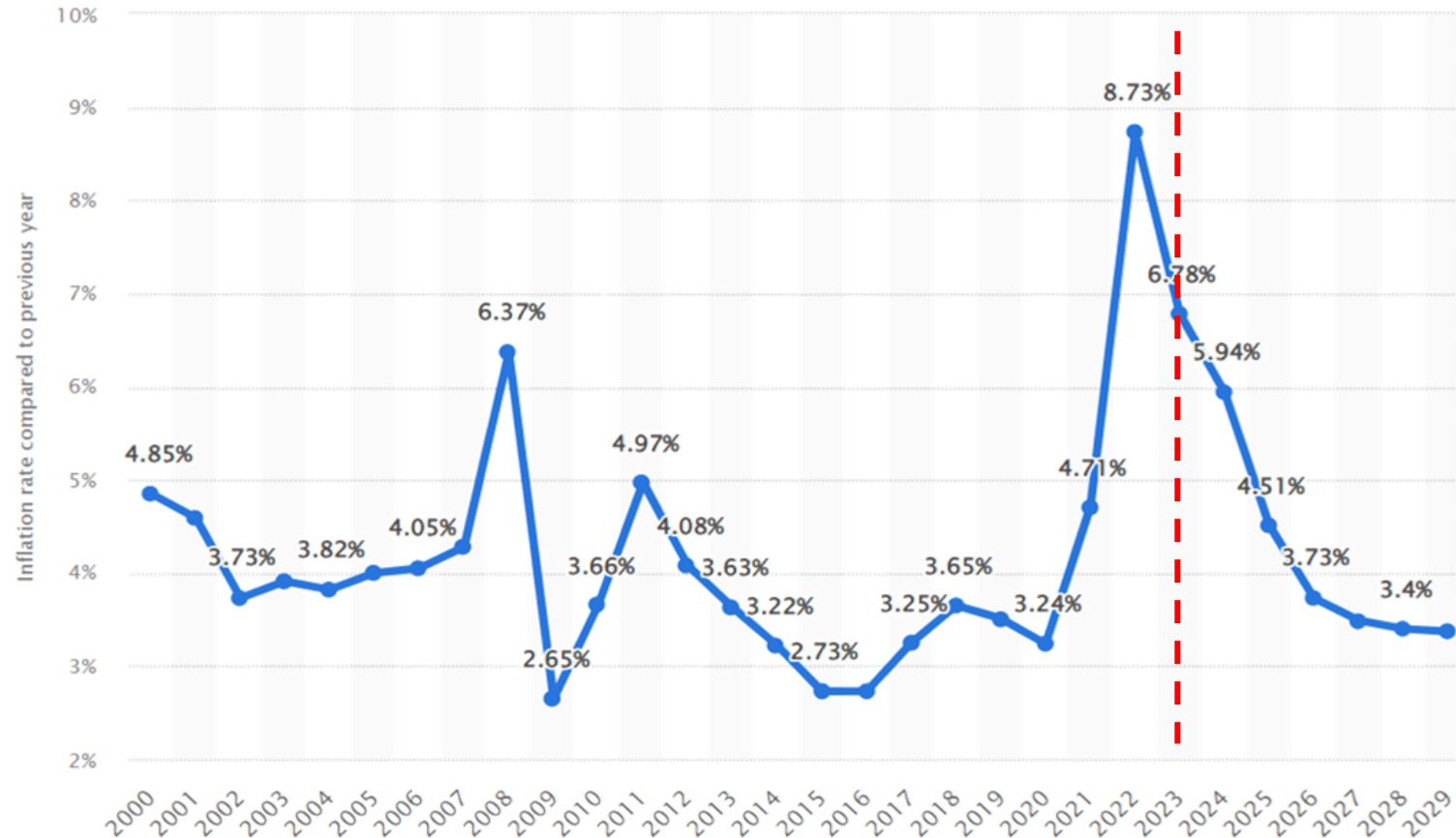
## GLOBAL INFLATION RATE

- Post 2023, it is expected for global inflation to decline.
- In advanced economies, the revised forecast is for the pace of disinflation to slow in 2024 and 2025.
- Gradual cooling of labour markets + Expected decline in energy prices bringing headline inflation back to target by the end of 2025

Source: International Monetary Fund (IMF) – World Economic Outlook 2024

## GLOBAL INFLATION RATE 2000 TO 2022, WITH FORECASTS UNTIL 2028

(Percent change from previous years)

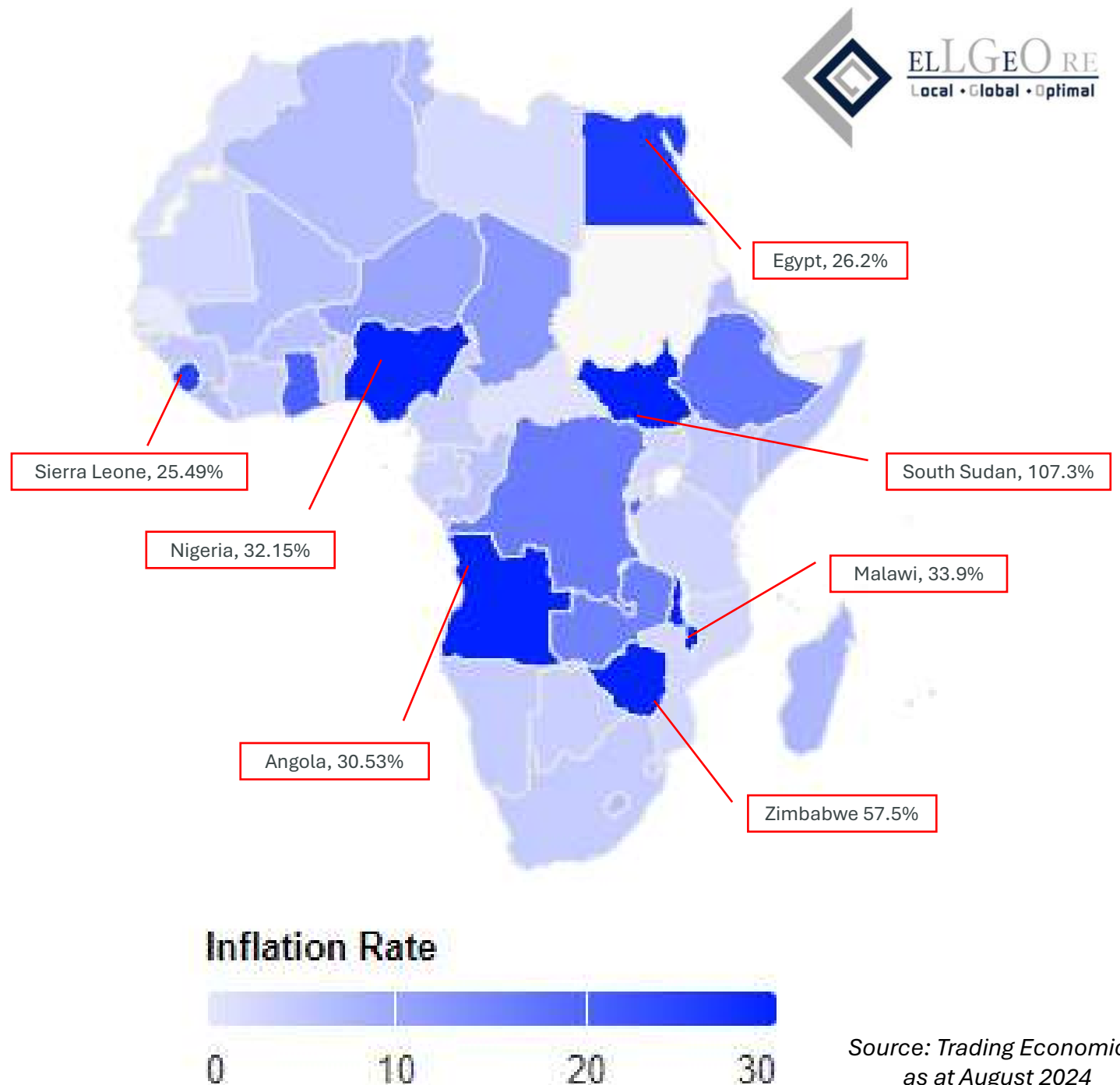


Source: Statista

## INFLATION IN AFRICA

- Inflation in key African economies will slow into next year but remain stubbornly high in certain countries such as Nigeria due to sporadic flooding and difficult terrain for the naira currency
- The acute shortage of dollars in Angola, Nigeria and Zambia has often put home inflation under significant strain due to a reliance on single commodity currency inflows such as crude oil and copper.

Source: Reuters, 2024



Source: Trading Economics,  
as at August 2024



# CURRENCY DEPRECIATION - AFRICAN CURRENCIES

*Under pressure from sustained high global interest rates and continued global uncertainty fuelled by geopolitical and trade tensions, most African currencies depreciated further against a stronger US dollar in 2023. The depreciation of African currencies persisted in 2023, albeit to a lesser extent than in 2022.*

29 African countries affected by a nominal depreciation against the US dollar in 2023, compared to 45 in 2022.

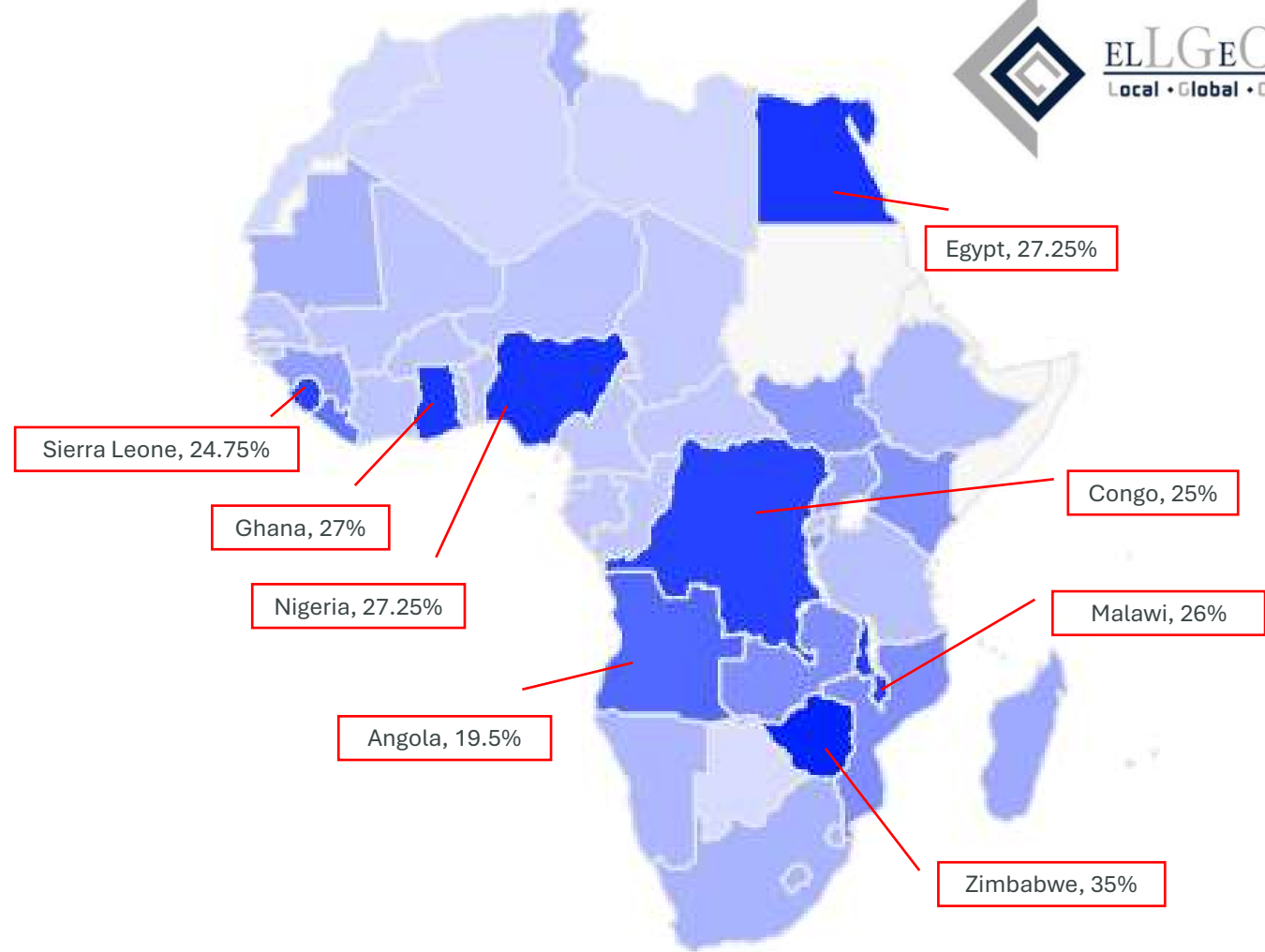
For instance, Nigeria's exchange rates depreciated by **95.6%** in 2023. This depreciation largely reflected a correction following reforms in the foreign exchange market in June 2023, which led to the floating of the Naira.

## OTHER LARGE DEPRECIATIONS IN 2023

- Zimbabwean dollar (↓ 89.8%),
- Sudanese pound (↓ 77.6%),
- South Sudanese pound (↓ 46.0%),
- Egyptian pound (↓ 37.4%),
- Angolan kwanza (↓ 32.8%),
- Zambian kwacha (↓ 15.4%)

## INTEREST RATES IN AFRICA

- Several African countries are grappling with inflationary pressures, prompting their central banks to raise rates.
- Countries such as Egypt, Nigeria, and Malawi are leading the pack as high inflation rates and rapidly declining currencies necessitate a hawkish stance from African central banks.



### Interest Rate



Source: Nairametrics

Source: Trading Economics, as at August 2024

# SOCIO-POLITICAL ASPECTS

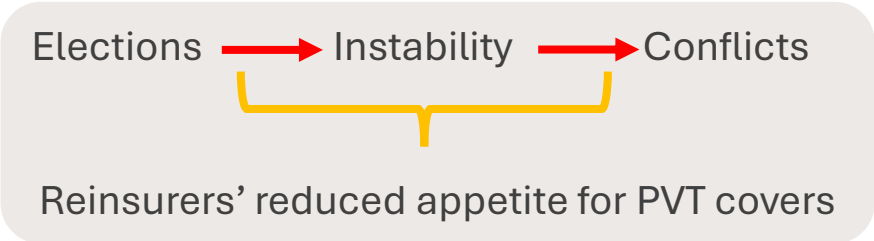
2024: ELECTION YEAR WORLDWIDE!

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# THE ULTIMATE ELECTION YEAR

At least 64 countries (plus the European Union) – representing a combined population of about 49% of the people in the world – are meant to hold national elections in 2024.

The elections come amid growing economic and geopolitical strife, with the Ukraine war, conflicts in the Middle East and rising trade tensions between the United States and China, the world's two largest economies.



# THE SAHEL – MID YEAR METRICS 2024 (ACLED, 2024)

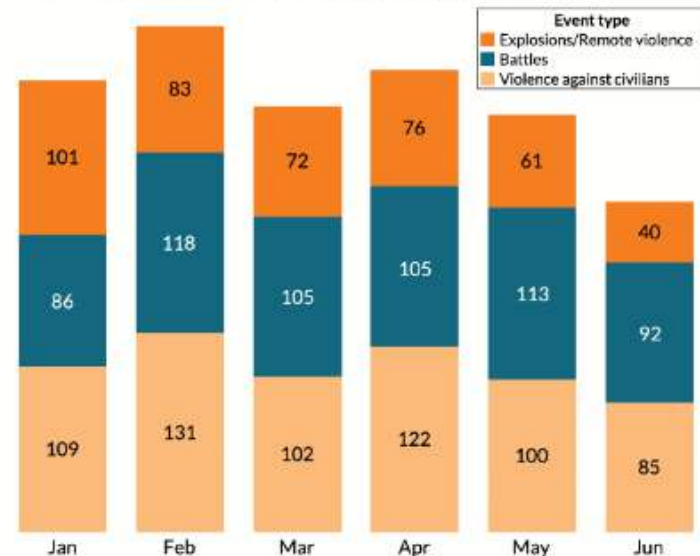
## GLOBAL CONFLICT INDEX

The Conflict Index, updated every six months, ranks every country and territory in the world according to four indicators: deadliness, danger to civilians, geographic diffusion, and armed group fragmentation.

Data from July 2023 through June 2024



## MONTHLY POLITICAL VIOLENCE EVENTS



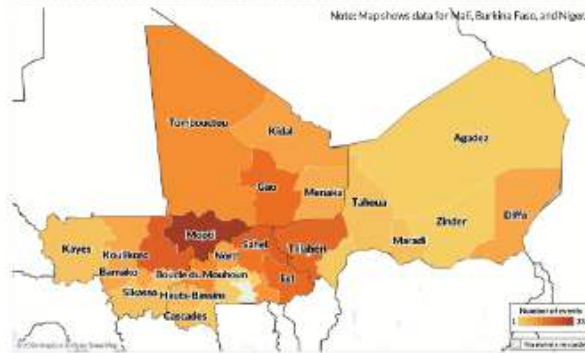
## CONFLICT EXPOSURE

Using population size estimates from WorldPop and conflict data from ACLED, the Conflict Exposure tool provides an estimate of the impact of conflict events on a population.

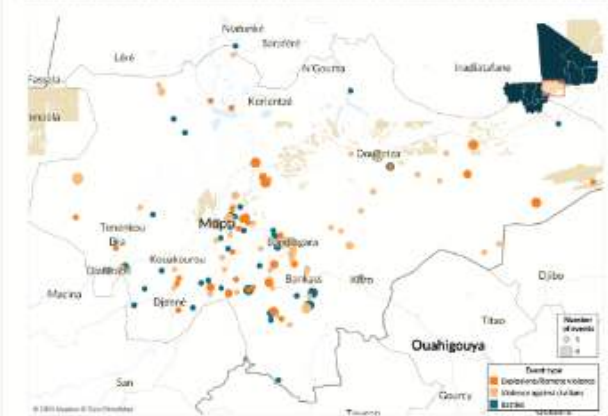
Note: These estimates use data from January through June 2024 and include the following types of events: 'Battles,' 'Explosions/Remote violence,' 'Riots,' and 'Violence against civilians.'



## POLITICAL VIOLENCE: REGION/PROVINCE

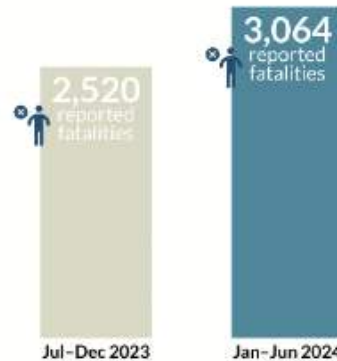


## POLITICAL VIOLENCE: MOPTI, MALI



## FATALITIES FROM CIVILIAN TARGETING

The civilian burden from the current security situation in the Sahel continues to worsen. Reported fatalities from civilian targeting during the first half of 2024 increased compared to the previous six months.



## FORECASTS

The Conflict Alert System (CAST) predicts political violence events up to six months in the future for every country and territory in the world. CAST forecasts three event types: 'Battles,' 'Explosions/Remote violence,' and 'Violence against civilians,' as well as the sum of these event types.

Province	Number of events		Predicted change
	6-month forecast (Dec 2024)	6-month average (Jan-Jun 2024)	
MALI			
Mopti	29	37	-22%
Kidal	19	13	+46%
BURKINA FASO			
Boucle du Mouhoun	27	18	+50%
Sahel	26	25	+4%
NIGER			
Tillabéri	22	21	+5%
Diffa	8	8	+0%

# PVT LOSSES IN AFRICA

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- By the end of 2023, the African Centre for the Study & Research on Terrorism (ACSRT) database showed a 99% rise in terrorist attacks and a 53% increase in terrorism-related deaths from January to December 2023, compared to 2022. Additionally, the database recorded an average of 8 terrorist attacks and 43 terrorism-related deaths per day during this period.
- Repeated and sometimes long-lasting conflicts lead to production stoppages, price hikes, shortages and higher insurance premiums, particularly for transport and property damage risks.
- As a result, many insurers and reinsurers have reduced their capacity for this type of risk.

### AUG 2023

- Gabon:  
Military coup  
ousts  
President Ali  
Bongo  
Ondimha

### SEPT 2023

- Somalia:  
Deadly  
second phase  
of counter  
insurgency in  
Mudug region

### OCT 2023

- Madagascar:  
Rising  
demonstrations  
ahead of  
November  
presidential  
elections

### JAN 2024

- Sudan:  
Deadly  
airstrikes  
escalate in al-  
Jazirah state

### FEB 2024

- Chad: Security  
forces kill political  
opposition leader

### MAR 2024

- Kenya: Surge  
in al-Shabaab  
violence

## NOTABLE PVT EVENTS IN AFRICA

### AUG 2024

- Nigeria: Anti-  
government  
demonstrations  
break out  
nationwide

### JULY 2024

- Niger:  
Escalating  
violence in  
Tillaberi and  
worsening  
security pot-  
coup

### JUN 2024

- Kenya: Rising  
grassroots anti-  
tax  
demonstrations  
against the  
2024 Finance  
Bill

### MAY 2024

- DRC:  
Violence  
involving M23  
Rebel Group  
increases in  
South Kivu

### APRIL 2024

- Burkina Faso:  
Surge in political  
violence in the  
Center East

# NATURAL CATASTROPHES

The upward trend continues...

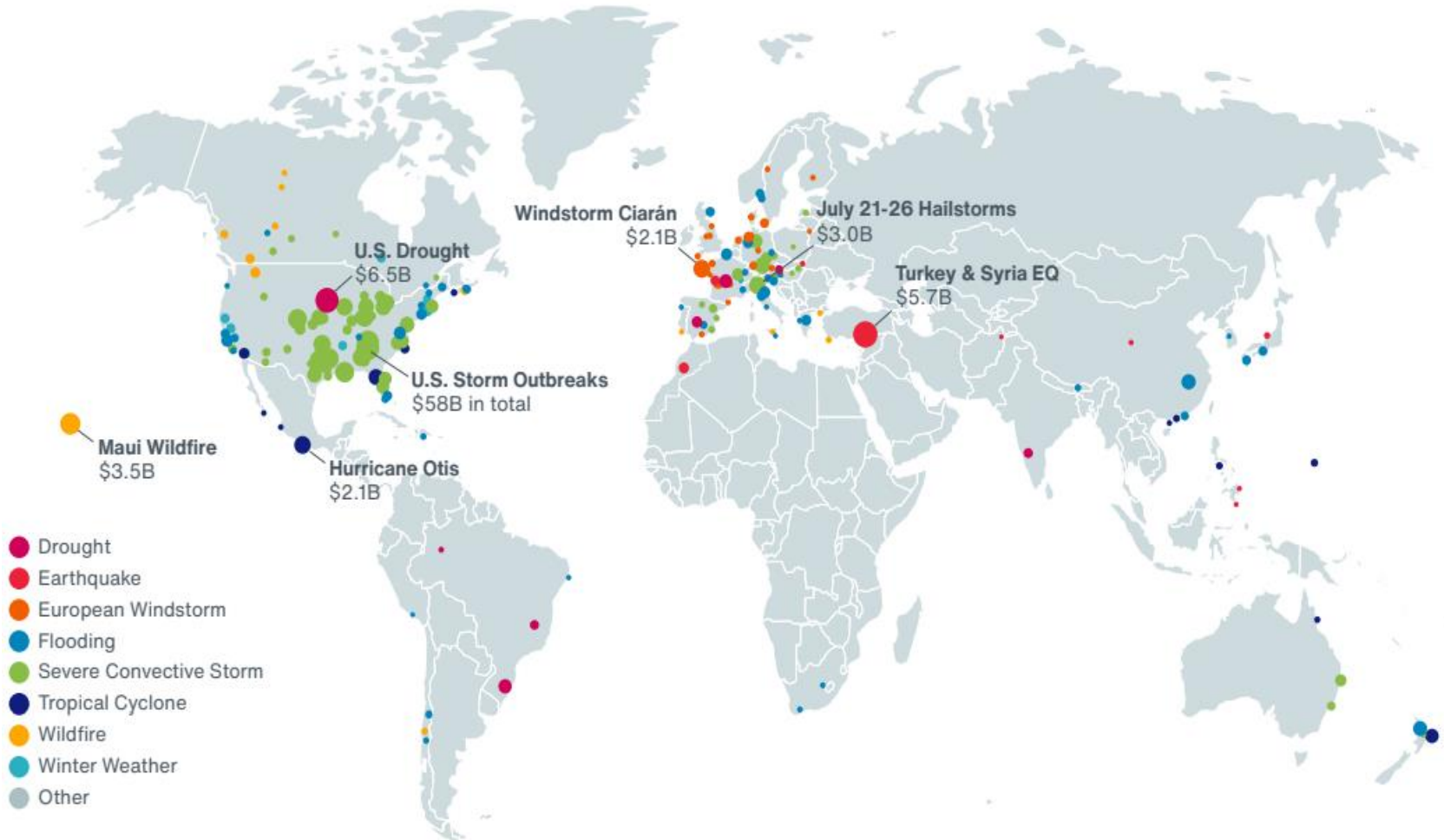
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# NAT CAT LOSSES

- **TRENDS:** Due to climate change, the frequency and severity of nat cat events is expected to increase. Improved climate projections provide evidence that future climate change will increase climate-related extreme events.
- **PRICING:** Rates for nat cat programmes rose by an average of 3% in January 2024. In Italy, Slovenia and Turkey, for example, the increase exceeded 10%.
- **COVERAGE:** Some reinsurers have opted out of this class of business altogether. Others have chosen to drastically reduce their exposure to this type of risk.
- **PROTECTION GAP:** In 2023, according to Swiss Re's 2023 sigma report, only 38%, or USD 108 billion, of global economic losses of USD 280 billion were insured.
- **INFLATION:** Inflation affects nat cat coverage by raising the cost of materials, labour, and services needed for repairs, higher sum insureds (property) which increases claims payouts, drives up premiums, and may leave properties underinsured if coverage limits aren't adjusted accordingly.

# NOTABLE NAT CAT EVENTS IN 2023 (AON Cat insight)



Data: Aon Catastrophe Insight

Major Global Nat Cat Events	Insured Losses
US Storm Outbreaks	\$58B
US Drought	\$6.5B
Turkey & Syria EQ	\$5.7B
Maui Wildfire	\$3.5B
July 21-26 Hailstorms	\$3.0B
Hurricane Otis	\$2.1B
Windstorm Ciaran	\$2.1B

# MAJOR NAT CAT EVENTS JANUARY – JUNE 2024

## Natural disasters caused overall losses of USD 120 bn (Munich Re, 2024)

**Tornado (series), hailstorm**  
12–16 Mar, United States  
Overall losses: US\$ 5.9bn  
Insured losses: US\$ 4.5bn

**Severe storm, tornado**  
16–22 May, United States  
Overall losses: US\$ 4.8bn  
Insured losses: US\$ 3.7bn

**Wildfire (South Fork Fire)**  
17 Jun–15 Jul, United States  
Overall losses: US\$ 1.2bn  
Insured losses: US\$ 0.8bn

**Flood**  
29 Apr–17 May, Brazil  
Overall losses: US\$ 7bn  
Insured losses: US\$ 2bn  
Fatalities: 181

**Flood, flash flood, landslide**  
Mar–Apr, Burundi, Tanzania, Kenya, Somalia  
Fatalities: 283

**Flood, flash flood**  
14–22 Apr, Oman, Iran, Bahrain, Yemen, United Arab Emirates  
Overall losses: US\$ 8.3bn  
Insured losses: US\$ 2.8bn

**Flood, flash flood**  
30 May–5 Jun, Germany, Italy, Austria, Poland, Czech Republic  
Overall losses: US\$ 5bn  
Insured losses: US\$ 2.2bn

**Flood**  
Jun–Jul, China  
Overall losses: US\$ 5bn  
Insured losses: US\$ 0.3bn  
Fatalities: 71

**Earthquake, tsunami**  
1 Jan, Japan  
Overall losses: US\$ 10bn  
Insured losses: US\$ 2bn  
Fatalities: 245

**Landslide**  
24 May, Papua New Guinea  
Fatalities: 670

**Geophysical events**  
Earthquake, tsunami, volcanic activity

**Meteorological events**  
Tropical storm, extratropical storm, convective storm, local storm

**Hydrological events**  
Flood, mass movement

**Climatological events**  
Extreme temperature, drought, wildfire

● Significant catastrophes  
● Small, medium and large loss events

## MAJOR NAT CAT EVENTS IN AFRICA

### IN 2023

- Libya floods (Sept)
- Morocco earthquake (Sept)
- Algeria wildfires (July/Aug)
- Mozambique cyclone (March)
- DRC and Rwanda floods (April/May)
- Cyclone Freddy – **longest in history** (Feb/March)

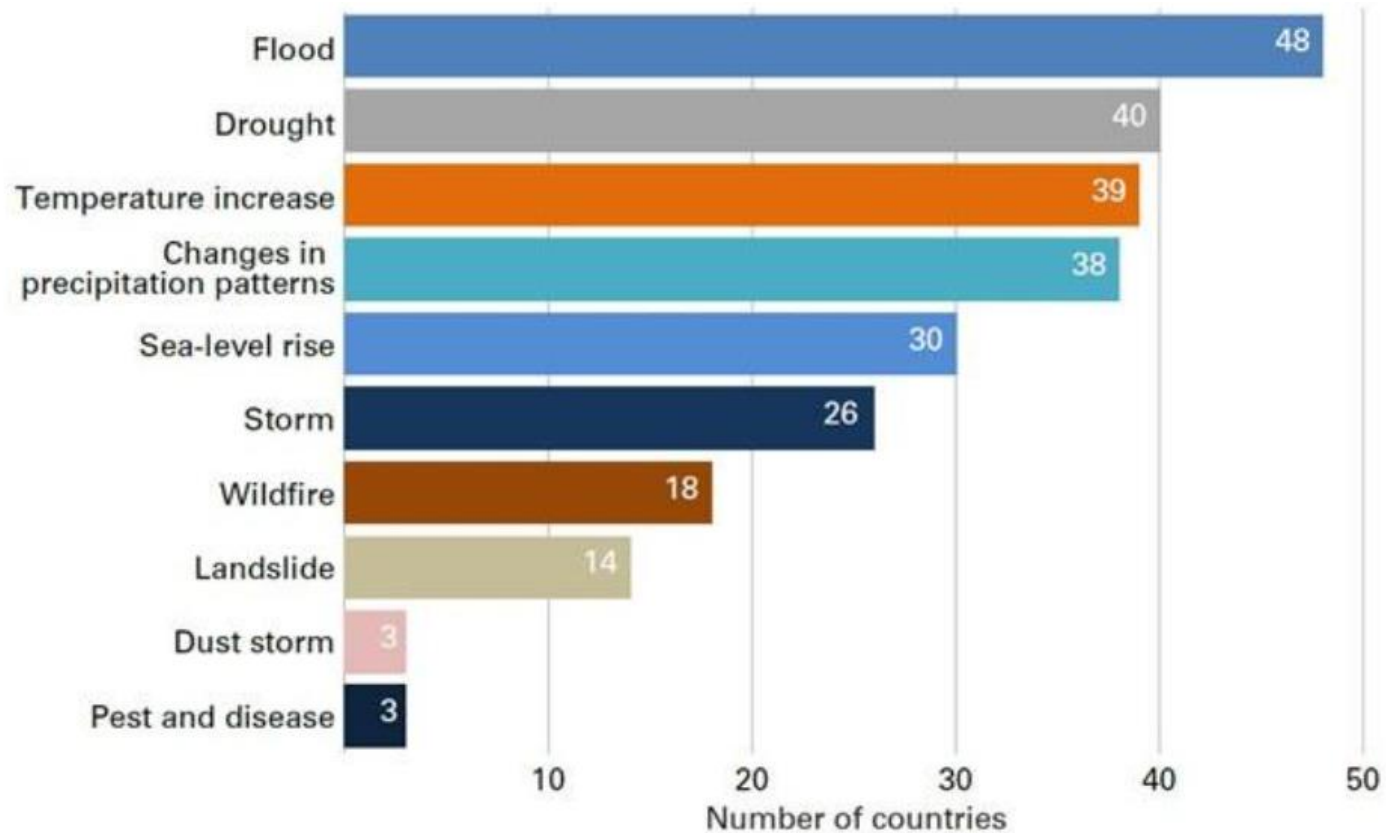
Source: TRT Afrika

### IN 2024

- Heavy rain due to seasonal monsoons led to riverine and flash flooding in Kenya, Ethiopia, Uganda, Tanzania, Burundi, Somalia
- Cyclones Hidaya and IALY hit the region in May, worsening the flooding and causing increased death and destruction in Tanzania and Kenya
- Drought in eastern Angola, western and central Zambia, northeastern Namibia, northern Botswana, much of Zimbabwe, central Mozambique, central and eastern South Africa, and Lesotho.
- Cyclone Belal in Mauritius and Madagascar

Source: ReliefWeb

## HAZARDS OF GREATEST CONCERN FOR THE AFRICAN REGION



Hazards of greatest concern for the African region. This graph was generated by WMO using the NDCs of 53 countries in Africa based on the active NDCs submitted as of June 2024.

# PROFITABILITY OF REINSURERS

An improving picture...?

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# PROFITABILITY OF REINSURERS

## GLOBAL REINSURERS, H1 2024

Reinsurer	Approx. figures	Period	Source
AXA	USD 4.3B (Net income)	H1 2024	<i>Atlas Magazine</i>
Munich Re	USD 4.2B (Net profit)	H1 2024	<i>Atlas Magazine</i>
Generali	USD 2.2B (Net profit)	H1 2024	<i>Atlas Magazine</i>
Swiss Re	USD 2.1B (Net income)	H1 2024	<i>Swiss Re's report</i>
Everest Group	USD 1.5B (Net profit)	H1 2024	<i>Atlas Magazine</i>
Hannover Re	USD 1.3B (Net profit)	H1 2024	<i>Atlas Magazine</i>
China Re	USD 835M (Net profit)	H1 2024	<i>Reinsurance News</i>
Partner Re	USD 358M (Net income)	H1 2024	<i>Partner Re's report</i>

Global reinsurers reported exceptional financial results in the first half of 2024, despite an elevated \$58 billion in insured natural catastrophe losses in the first half of 2024.

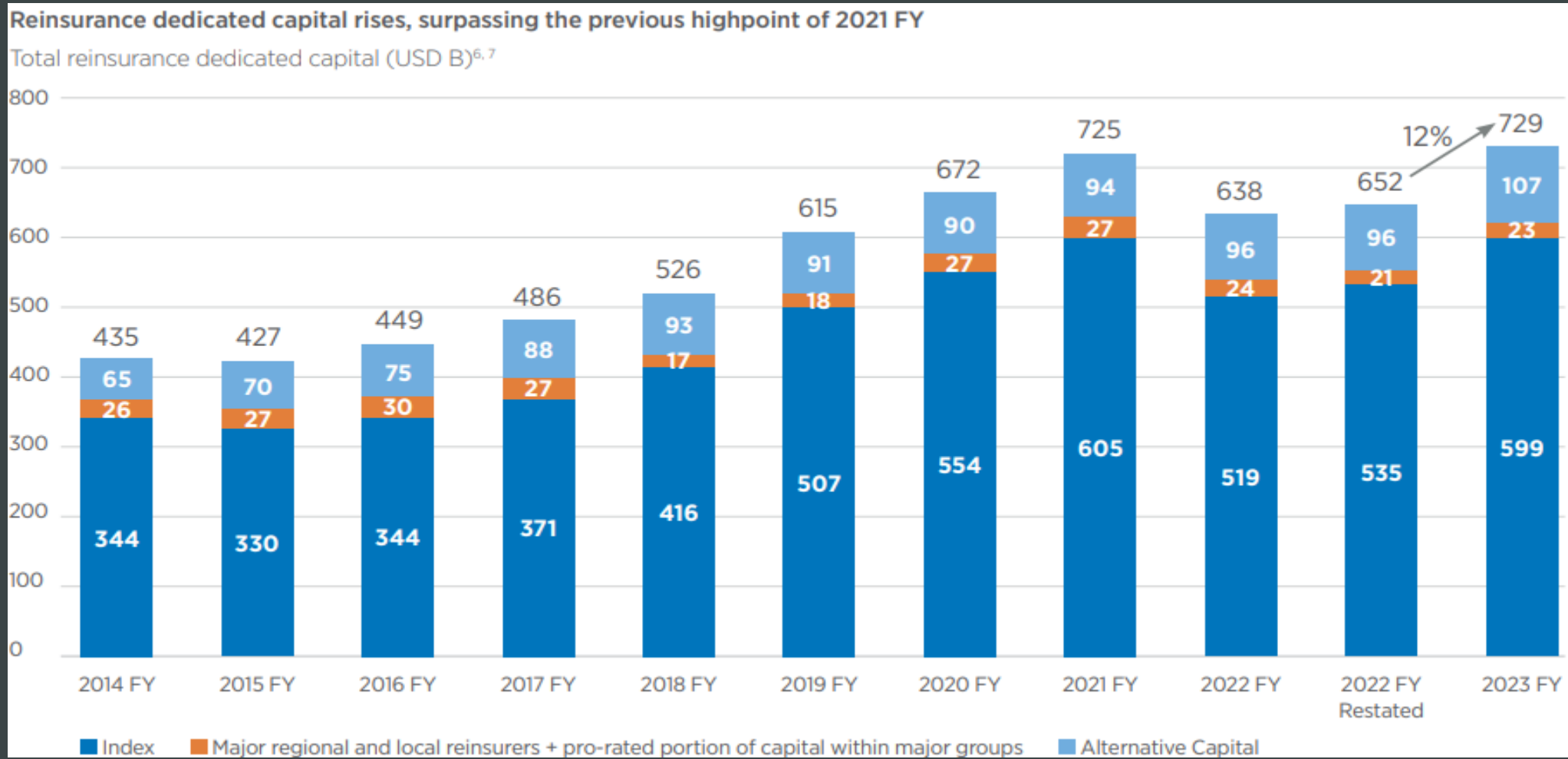
*Source: Risk and Insurance*

## PROFITABILITY OF FEW AFRICAN REINSURERS

Reinsurers	Profit 2023	Combined Ratio 2023	Source
Africa Re	USD 126.15m (Net profit)	93.51%	<i>Atlas Magazine</i>
WAICA Re	USD 36.043m (Net profit)	83%	<i>Atlas Magazine</i>
Continental Re	USD 19.1m (Net profit)	91%	<i>Reinsurance News</i>
Kenya Re	USD 37m (Profit after tax)	92%	<i>Report of the Auditor- General on Kenya Reinsurance Corporation Limited for the Year Ended 30 December 2023</i>
CICA Re	USD 16.82m (Net profit)	86.25%	<i>Atlas Magazine</i>
Zep Re	USD 14.2m (Profit)	~ 97%	<i>Business Daily, AM Best</i>



# TOTAL REINSURANCE DEDICATED CAPITAL



**Note: Index comprises global reinsurers.**

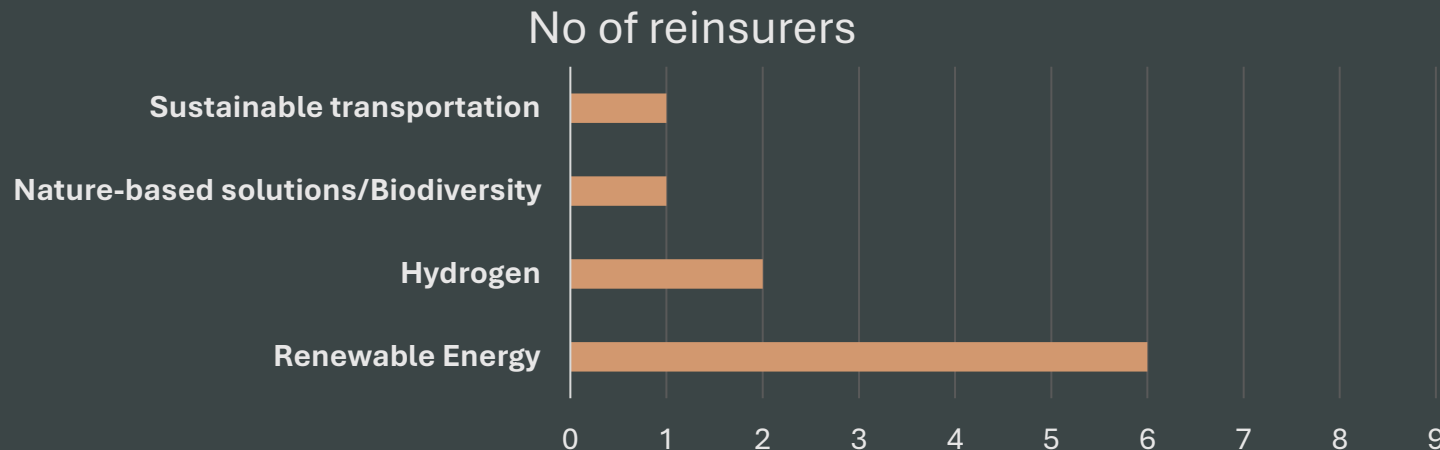
Source: Reinsurance Market Report, 2023 (Gallagher Re)

# ESG FACTORS

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# ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Reinsurers are exploring risk solutions for new ESG technologies and products.



- 6 out of 9 reinsurers actively look at risk solutions in renewable energy.
- Others extend support to new, green technologies such as hydrogen, nature-based solutions and sustainable transport

## ESG IN AFRICA

*Insurance underwriters in Africa (both insurers and reinsurers) are increasingly seeking to embed ESG in their business operations and product offerings.*

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- Several insurers in Sub-Saharan Africa are signatories to the UN Principles for Sustainable Insurance (PSI), the global sustainability framework for the insurance industry led by UNEP Finance Initiative (UNEP FI).
- April 2021 saw the launch of the Nairobi Declaration on Sustainable Insurance during the UN PSI's 4th Africa summit.
- On the insurance regulatory side, various African regulators are members of the Sustainable Insurance Forum (SIF), the convening platform for the integrating of sustainability by insurance supervisors and regulators.

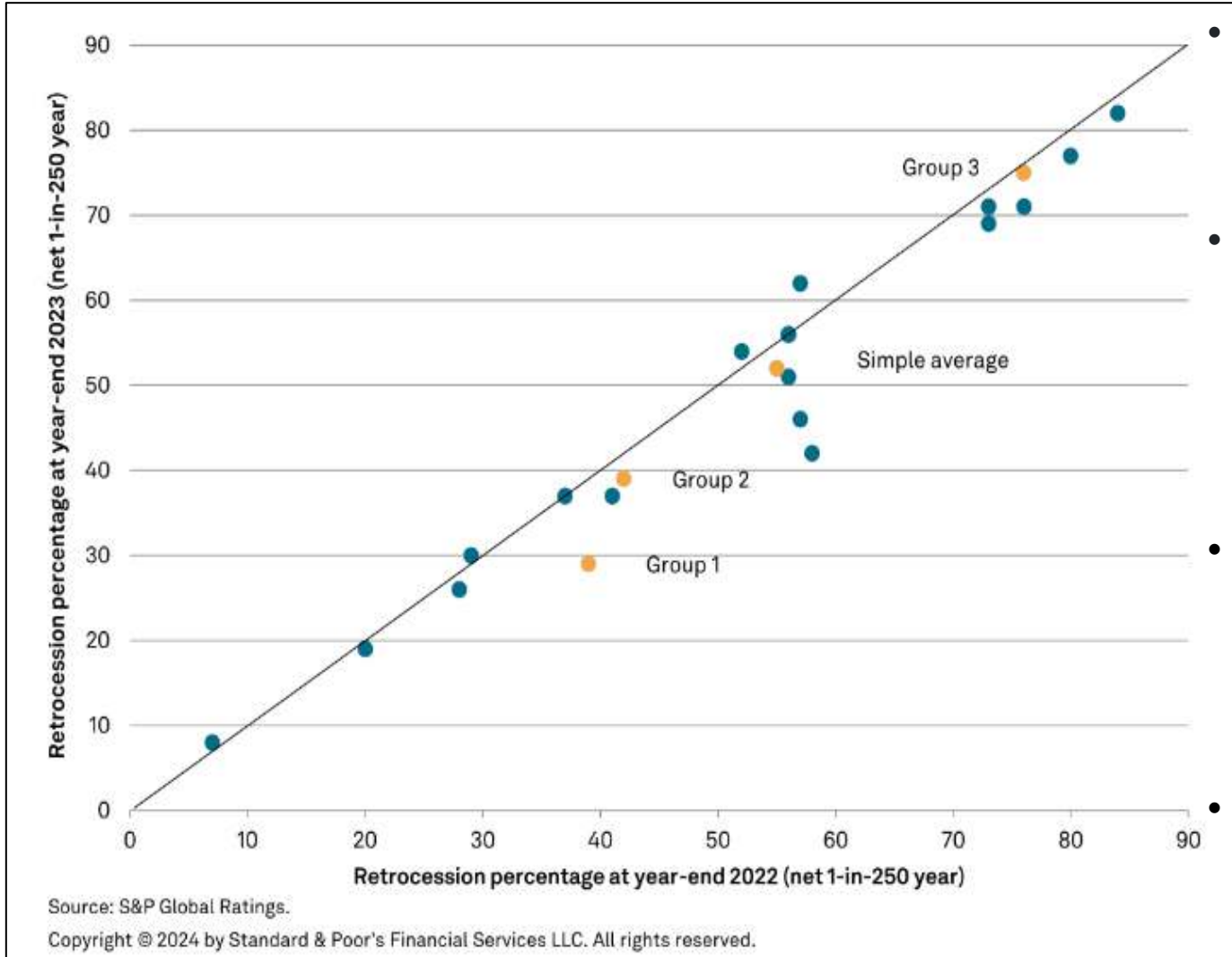
RETRO



# TRENDS IN THE RETRO MARKET

- Reinsurers encountered a tough retrocession market at 1/1 renewals, driven by a series of natural catastrophe losses since 2021, and indicating the need for adjustments in the insurance value chain.
- The retrocession reinsurance market has increasingly come to depend on the capital markets and insurance-linked securities (ILS).
- As of mid-year 2022, global retrocession capacity has been estimated to be as high as \$60bn, around \$20bn of which is indemnity based and the rest in other formats.
- S&P said, “We observe that alternative capital continues to be a critical source of capacity and has further increased its importance, in particular for large global reinsurers’ retro strategies.”
- WHAT NEXT?

# REINSURERS SLIGHTLY SCALE BACK RETROCESSION FOR 2024 (S&P GLOBAL RATINGS)



- As of Jan. 1, 2024, the 19 reinsurers within S&P's sample group ceded roughly half of their one-in-250-year exposure, on a simple average basis.
- The major global reinsurers have tended to retrocede less of their risk than their peers do, as you might expect given the depths of their balance-sheets (Group 1 in the chart being the largest companies).
- The chart above shows that most reinsurance companies in S&P's analysis reduced their use of retrocession for 2024, over the prior year, ceding a slightly lower percentage of their net 1-in-250.
- While the smaller reinsurers, towards the upper-right of the quadrant, have sustained a significant use of retrocession to support their businesses.

# PANEL DISCUSSION







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THANK YOU

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