

# Insurance Pools

**(Lever for Combatting Continent-Wide Risks)**

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# Outline: Plan of the Presentation



## Market Insights

This covers the insights on Natural Catastrophes including the implementation of the 2025 Africa Climate Submit Recommendations.

01



## Brief Overview

This covers the definition, business flows, examples and potential risk coverages of Insurance Pools in Africa and the World.

02



## Unlocking Potential

This seeks to provide insights into the operations of Insurance Pools using the performance of African Insurance Pools

03



## Rethinking the Future

This delves into rethinking the business models around National Reinsurers and recommends complementing with Insurance Pools.

04



## Key Takeaways

This highlights some actions plans for the future including revisiting products and strengthening Insurance Pools model.

05

# Market Insights

# Continental Discussions: Africa Climate Summit



**Theme: Driving Green Growth and Climate Finance Solutions for Africa and the World**

**Date: 4<sup>th</sup> – 8<sup>th</sup> September 2023**

The Summit convened African leaders, global financiers, and climate experts to advance Africa's leadership in climate action. Key achievements included the launch of the African Climate Momentum initiative, the mobilization of over US\$ 20 Billion in pledges for green growth and climate adaptation, and the adoption of the Nairobi Declaration, which calls for increased investment in Africa's renewable energy and carbon markets, among other priorities.

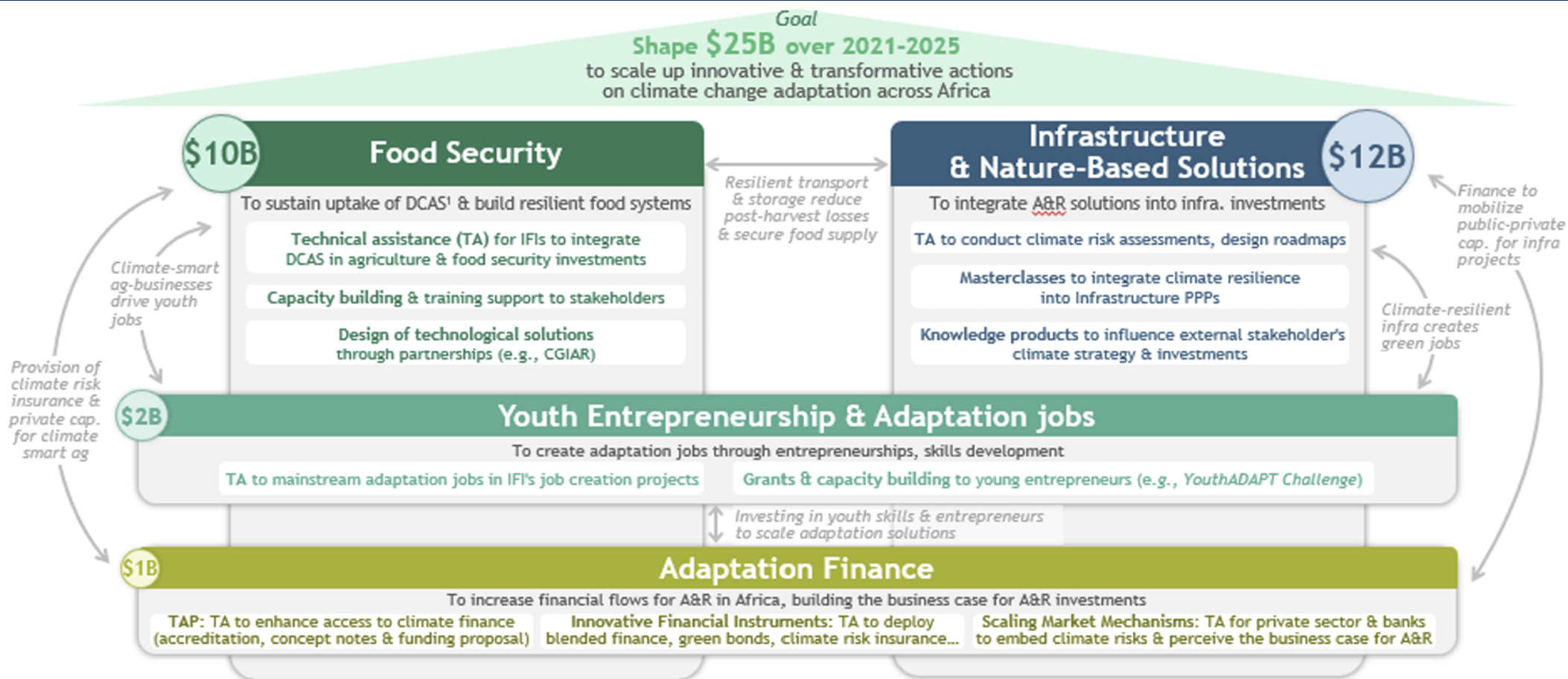


**Theme: Accelerating Global Climate Solutions: Financing for Africa's resilient and Green Development**

**Date: 5<sup>th</sup> – 10<sup>th</sup> September 2025**

The Summit united African leaders and global partners and positioned Africa not merely as a climate victim, but as a crucial solution provider, culminating in the adoption of the historic African Leaders' Addis Ababa Declaration. Key achievements included advocating for reforms in global financial systems, championing homegrown climate innovations, and consolidating Africa's unified negotiating position with the developed world.

# Key Initiative: Africa Adaptation Acceleration Program



The Addis Ababa Declaration of the 2<sup>nd</sup> Africa Climate Summit held in September 2025 states "the urgent need to develop and operationalize new, innovative climate finance mechanisms adapted to the realities of the continent, including blended finance mechanisms, green and blue bonds, debt-for-climate project swaps, and strategic public-private partnerships, to diversify financing sources and mobilize essential resources for our sustainable development priorities". This recognizes the need for **climate risk insurance and risk pooling mechanism**.

# Implementation Update: **Adaptation Finance Priorities**

Technical Assistance Programme	Climate-Resilient Financial Systems	Innovative Financial Instruments
<p>This strengthens the capacity of governments, financial institutions, and project developers to design, prepare, and implement adaptation investments. It supports <b>climate-risk assessments, project preparation, policy development, and access to climate finance, creating a pipeline of bankable projects and enhancing institutional readiness</b> for climate resilience.</p>	<p>This integrates climate and disaster risks into financial-sector governance, regulation, and decision-making. It promotes <b>climate-risk disclosure, stress testing, sustainable finance frameworks, insurance market development, and disaster-risk financing strategies</b>. The objective is to build resilient financial systems capable of withstanding climate shocks while supporting adaptation investments.</p>	<p>This mobilizes public and private capital through new financing solutions that reduce climate risk and attract investment. The instruments include <b>resilience bonds, catastrophe bonds, parametric insurance, agricultural index insurance, guarantees, blended finance facilities, and regional risk pools</b>, enabling faster recovery and greater financial resilience to climate impacts.</p>

## Role of Insurance in Adaption Finance

1. **Transmission Belt**: Transforms climate risk information into financially structured and investable adaptation projects through provision of catastrophe models and design of parametric insurance products.
2. **Capability Accelerator**: Builds local insurance markets and institutions that can independently manage climate risk through development of national insurance strategies and insurance regulations as well as capacity building.
3. **Innovation Hub**: Enables locally adapted, scalable insurance solutions for African climate risks through the development of multi-hazard insurance pools and co-creation of public-private insurance schemes.

The **AAAP 1.0 Innovative Finance Initiatives** pillar has progressed substantially through the Upstream Financing Facility, influencing billions of dollars of climate-resilient investments and supporting the development of innovative adaptation-finance instruments. **While climate-risk insurance and risk-pooling mechanisms are recognized as important adaptation-finance tools, implementation to date has primarily focused on project preparation, capacity building, blended finance, and adaptation-investment mobilization.** Under **AAAP 2.0 (2026 – 2030)**, the industry is playing a more prominent role.

# Brief Overview

# Definition: Insurance and Reinsurance Pools

"An **insurance or reinsurance pool** is a cooperative arrangement among **insurers and reinsurers** who collectively **underwrite or retain certain classes of risks** that exceed what they could prudently carry on their **individual balance sheets**, each taking a **proportionate share of premiums, losses and expenses** based on their agreed **participation lines**. The arrangement is governed by a **pool agreement specifying contributions, governance, and distribution of results**. The **pool manager**, typically a rated financial institution, selected by competitive tender **coordinates underwriting, issues policies, collects premiums, and settles claims** including **retrocession arrangement** as well as **financial reporting** of the Pool Accounts on behalf of the member companies. They serve as a mechanism for **risk diversification among member companies**".

## Underlying Risks

Insurers sometimes lack the expertise or capacity to underwrite or retain complex or high-value risks, such as natural catastrophes, energy, nuclear, aviation, war, and terrorism.

## Participating Lines

Covers the agreed percentages that determine each pool member's share of premiums, losses, expenses, assets, liabilities, and capital obligations arising from the pool's activities

## Governance Documents

Governed by a set of documents such as Pool Agreement, Membership Agreements, Participation Schedules, ERM Framework and others directly influence the Balance Sheet.

## Pool Objectives

Helps increase risk-bearing capacity, facilitate risk sharing, improve market stability, and provide coverage for risks that may be difficult or uneconomic for individual insurers.

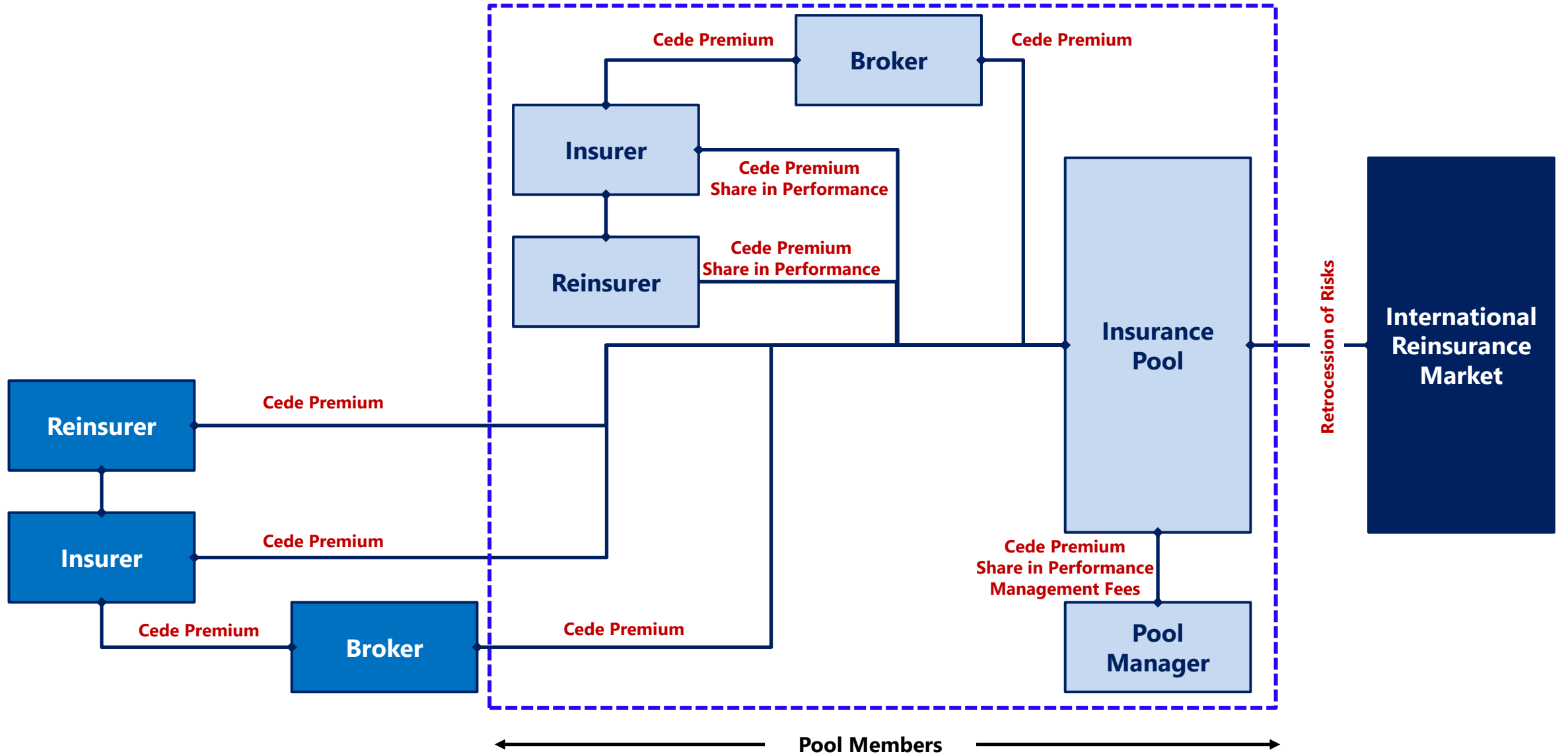
## Pool Managers

Operates the pool by administering underwriting, premiums, claims, and other governance processes while ensuring its functions according to the agreement

## Capacity Aggregation

Combining the limited individual capacity of multiple market participants to create a viable underwriting vehicle for large or complex risks and achieve retention objectives.

# Key Stakeholders : Insurance and Reinsurance Pools



NB: Adapted from AM Best's Methodology and Criteria for Rating Reinsurance Pools

# Examples: Insurance and Reinsurance Pools

	Name	Country	Managers	Line of Business	Date
1	<b>FAIR Non-Life Reinsurance Pool</b>	Africa and Asia	<b>Misir Insurance Company</b>	Non-Life	<b>1974</b>
2	<b>State Assured Special Risks Insurance Association</b>	South Africa	<b>Dedicated Management</b>	Political Violence and Terrorism	<b>1979</b>
3	<b>South African Nuclear Pool</b>	South Africa	<b>Dedicated Management</b>	Nuclear Risks	<b>1980</b>
4	<b>African Aviation Insurance Pool</b>	<b>Africa</b>	<b>Africa Re</b>	<b>Aviation</b>	<b>1983</b>
5	<b>Nigeria Liability Insurance Pool</b>	Nigeria	<b>Dedicated Management</b>	Liability	<b>1988</b>
6	<b>African Oil and Energy Insurance Pool</b>	<b>Africa</b>	<b>Africa Re</b>	<b>Energy</b>	<b>1989</b>
7	<b>FAIR Aviation Pool</b>	Africa and Asia	<b>Atlantic Re</b>	Aviation	<b>1989</b>
8	<b>Pool TPV (Transport Public de Voyageurs)</b>	CIMA Zone	<b>National Insurance Associations</b>	Motor	<b>1998</b>
9	<b>Algeria Catastrophe Insurance Pool</b>	Algeria	<b>Compagnie Centrale de Réassurance (CCR)</b>	Catastrophe	<b>2004</b>
10	<b>Ghana Oil and Gas Insurance Consortium</b>	Ghana	<b>SIC Insurance Company Limited</b>	Oil and Gas	<b>2009</b>
11	<b>Ghana Agricultural Risk Insurance Pool</b>	Ghana	<b>Dedicated Management</b>	Agriculture	<b>2011</b>
12	<b>Africa Risk Capacity</b>	Parts of Africa	<b>Dedicated Management</b>	Natural Perils	<b>2012</b>
13	<b>Pool Micro-Assurance Santé</b>	Senegal	<b>Dedicated Management</b>	Healthcare	<b>2013</b>
14	<b>Energy and Allied Insurance Pool of Nigeria</b>	<b>Nigeria</b>	<b>Africa Re</b>	<b>Energy</b>	<b>2015</b>
15	<b>Oil and Gas Insurance Risk Pool</b>	Senegal	<b>Société Sénégalaise de Réassurance (Sen Re)</b>	Oil and Gas	<b>2020</b>
16	<b>Decennial Risk Pool</b>	Egypt	<b>Insurance Federation of Egypt</b>	Civil Liability	<b>1976</b>
17	<b>Nuclear Construction Insurance Pool</b>	Egypt	<b>Insurance Federation of Egypt</b>	Nuclear Construction	<b>2016</b>
18	<b>Egyptian Compulsory Insurance Pool</b>	Egypt	<b>Dedicated Management</b>	Road Accidents	<b>2019</b>
19	<b>Egyptian Pool for Travel Insurance</b>	Egypt	<b>Dedicated Management</b>	International Travel	<b>2021</b>
20	<b>Personal Accident Pool</b>	Egypt	<b>Insurance Federation of Egypt</b>	Personal Accident	<b>2012</b>
21	<b>Insurance Consortium for Oil and Gas in Uganda</b>	Uganda	<b>Uganda Insurers Association</b>	Oil and Gas	<b>2016</b>
22	<b>Namibia Special Risks Insurance Association</b>	Namibia	<b>Dedicated Management</b>	Political Violence and Terrorism	<b>1987</b>

This list is not exhaustive and includes other arrangements that has classified national consortiums as pools.

# World View: Insurance Pools

	Peril	Africa	Americas	Asia	Europe	Oceania	Global Pools**	Total
1.	Agriculture Pool				2			2
2.	Drought	17	8	5	1			31
3.	Earthquake		5	10	1	1		17
4.	Environmental Liability Risk Pool				3			3
5.	Flood	3	8	12	2	1		26
6.	Motor			2	2			4
7.	Multi-Peril		6					6
8.	Natural Catastrophe Pool	15	31	21	13	1	3	84
9.	Nuclear	2	7	4	14	1		28
10.	Other Perils*	38	57	60	35	1		191
11.	Terrorism	3	2	4	10	1		20
12.	Wind		28	6	5			39
<b>Total</b>		<b>78</b>	<b>152</b>	<b>124</b>	<b>88</b>	<b>6</b>	<b>3</b>	<b>451</b>

\***Other Perils** include Agriculture Insurance and Reinsurance, War, **Energy**, Medical, **Aviation**, Cargo, Engineering, Oil and Gas exploration, Micro Insurance, **Marine**, **Loan Guarantee**, **Motor**, Employers Liability, **Personal Accident**, **Transportation**, **Credit**, **Crop**, **Education**, Disaster Micro Insurance Pools, Pools for Enterprises involved in Hazardous Activities. **Most Pools in Africa are linked to the Africa Risk Capacity Sovereign Programme excluding Others, Terrorism and Nuclear Pools.**

\*\***Global Pools** include Global Climate Insurance Pool (initiative put forward by MCII (*Munich Climate Insurance Initiative*)); Global Index Reinsurance Facility (GIRIF) Managed by the World Bank; Global Centre for Disaster Protection funded by the DFID.

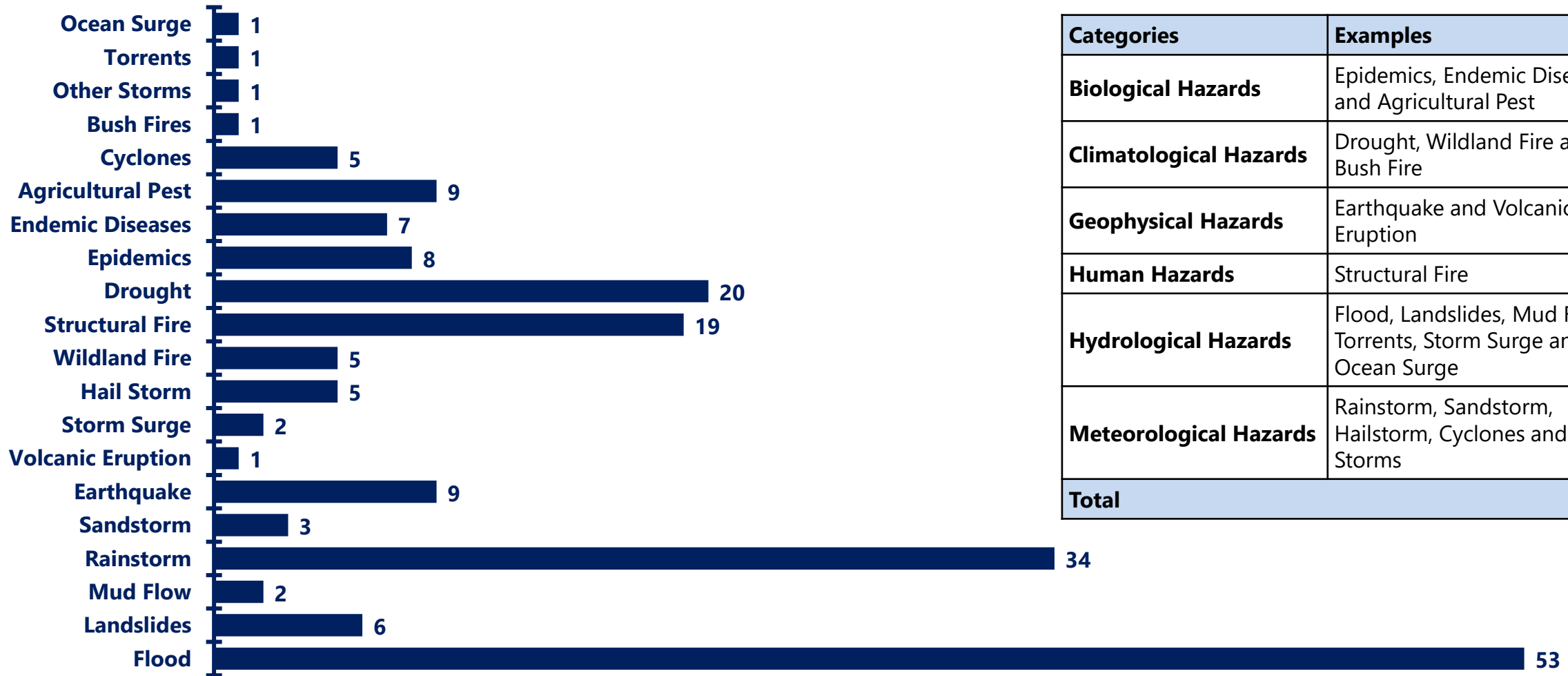
# Risk Coverage: Considerations for African Insurance Market

	<u>Natural Catastrophes</u>	<u>Pandemics and Epidemics</u>	<u>Political Violence and Terrorism</u>
<b>Definition</b>	This covers natural catastrophes such as droughts, floods, cyclones, earthquakes, and wildfires that can overwhelm individual insurers. The continent has a significant <b>climate insurance protection gap</b> as the gap between economic and insured losses are quite high compared with other regions.	This covers pandemics which can create simultaneous losses across many sectors such as health systems, businesses, tourism, aviation and supply chains. The traditional insurers often struggle because losses occur everywhere at once and need a pooling arrangement.	This covers terrorism and political violence that can create large concentrated losses that private insurers may be reluctant to cover. It can cover property damage, business interruption, infrastructure attacks, and aviation incidents
<b>Motivation</b>	<ul style="list-style-type: none"> <li>• <b>Floods</b> in West Africa</li> <li>• <b>Cyclones</b> in Southern Africa</li> <li>• <b>Droughts</b> in Sahel and Horn of Africa</li> </ul>	<ul style="list-style-type: none"> <li>• Covid-19 Pandemic</li> <li>• Ebola Virus</li> <li>• M-Pox</li> </ul>	<ul style="list-style-type: none"> <li>• <b>South Africa</b>: 2021 KwaZulu Natal Riots</li> <li>• <b>Nigeria</b>: 2020 EndSARS Protest</li> <li>• <b>Kenya</b>: 2025 Nairobi Protests</li> </ul>
<b>Examples</b>	<ul style="list-style-type: none"> <li>• Africa Risk Capacity</li> <li>• Algeria Catastrophe Insurance Pool</li> <li>• Morocco Parametric Insurance Pool</li> <li>• Turkish Catastrophe Insurance Pool</li> </ul>		<ul style="list-style-type: none"> <li>• <b>South Africa</b>: SASRIA</li> <li>• <b>Namibia</b>: NASRIA</li> <li>• <b>France</b>: Terrorism Pool (GAREAT)</li> <li>• <b>United Kingdom</b>: Pool Re</li> </ul>
<b>Benefits</b>	<ul style="list-style-type: none"> <li>• Faster disaster recovery.</li> <li>• Reduced government fiscal shocks.</li> <li>• Greater insurance penetration.</li> </ul>	<ul style="list-style-type: none"> <li>• Faster funding than emergency aid mechanisms.</li> <li>• Reduced dependence on external donors.</li> <li>• Improved preparedness for future outbreaks.</li> </ul>	<ul style="list-style-type: none"> <li>• Increased availability of terrorism coverage.</li> <li>• Lower premiums through risk diversification.</li> <li>• Improved investor confidence.</li> </ul>

There are other Insurance Pool considerations for **Cyber Insurance** as many African insurers currently lack sufficient cyber underwriting capacity individually. Also, it remains underdeveloped because of limited loss data and expertise. It should cover **ransomware attacks, data breaches, business interruption, digital fraud, and critical infrastructure attacks**. **Agriculture** is also another one of the strongest candidates for large-scale African insurance pooling because risks are widespread and highly correlated with climate patterns. It should cover **weather volatility, drought, floods, pest outbreaks, and livestock diseases**.

# Poll: Natural Disasters from Industry Executives

## Top 3 Natural Disasters in Participants Locality



Categories	Examples	Count
<b>Biological Hazards</b>	Epidemics, Endemic Diseases and Agricultural Pest	24
<b>Climatological Hazards</b>	Drought, Wildland Fire and Bush Fire	26
<b>Geophysical Hazards</b>	Earthquake and Volcanic Eruption	10
<b>Human Hazards</b>	Structural Fire	19
<b>Hydrological Hazards</b>	Flood, Landslides, Mud Flow, Torrents, Storm Surge and Ocean Surge	65
<b>Meteorological Hazards</b>	Rainstorm, Sandstorm, Hailstorm, Cyclones and Storms	48
<b>Total</b>		<b>192</b>

This is a pulse of 65 respondents with 86% insurers and 80% Technical Roles. This was conducted many years ago but the insight remains relevant.



# Unlocking Potentials

(Insights from AIO Insurance Pools)

# Key Insights: AIO Insurance Pools

Country	African Aviation Insurance Pool			African Oil and Energy Insurance Pool			Combined	Weight
	Count	Subscription	Weight	Count	Subscription	Weight		
Algeria	1	100,000	1.23%	1	250,000	2.69%	350,000	2.01%
Benin				1	85,000	0.91%	85,000	0.49%
Cameroon				1	150,000	1.61%	150,000	0.86%
Egypt	1	300,000	3.70%	1	300,000	3.22%	600,000	3.44%
Eritrea	1	50,000	0.62%	1			50,000	0.29%
Ethiopia	1	150,000	1.85%	1	50,000	0.54%	200,000	1.15%
Gabon				1	150,000	1.61%	150,000	0.86%
Ghana	2	150,000	1.85%	1	100,000	1.07%	250,000	1.44%
Kenya	3	250,000	3.08%	2	340,000	3.65%	590,000	3.39%
Libya	1	75,000	0.92%				75,000	0.43%
Madagascar	2	100,000	1.23%	2	100,000	1.07%	200,000	1.15%
Morocco	1	100,000	1.23%				100,000	0.57%
Namibia				1	150,000	1.61%	150,000	0.86%
Nigeria	31	5,750,000	70.90%	34	6,600,000	70.89%	12,350,000	70.90%
Senegal	1	50,000	0.62%				50,000	0.29%
Sudan	1	50,000	0.62%	2	200,000	2.15%	250,000	1.44%
Tanzania	1	50,000	0.62%				50,000	0.29%
Togo	1	185,000	2.28%	1	185,000	1.99%	370,000	2.12%
Tunisia	2	250,000	3.08%	2	250,000	2.69%	500,000	2.87%
Zimbabwe	1	150,000	1.85%	1	50,000	0.54%	200,000	1.15%
Africa Re	1	350,000	4.32%	1	350,000	3.76%	700,000	4.02%
<b>Total</b>	<b>52</b>	<b>8,110,000</b>	<b>100.00%</b>	<b>54</b>	<b>9,310,000</b>	<b>100.00%</b>	<b>17,420,000</b>	<b>100.00%</b>

## 20 Member Countries + 1 Entity

The membership of the AIO Insurance Pools is drawn from 20 countries and Africa Re. This means there are 34 African countries that do not cede businesses directly to the Pools even non-members are allowed. We have a new joiner in 2025 (Gabon) and 2026 (Namibia). Nigeria was also strengthened by another company joining the AOEIP.

## 99.15% AOEIP Cessions

The cessions to the African Oil and Energy Insurance Pool (AOEIP) comes mainly from Africa Re Regional Offices and Subsidiaries from 2018 to 2025.

## 97.74% AAIP Cessions

The cessions to the African Aviation Insurance Pool (AAIP) comes mainly from Africa Re Regional Offices and Subsidiaries from 2018 to 2025.

## 99.19% Combined Cessions

The combined cessions to the African Aviation Insurance Pool and African Oil and Energy Insurance Pool coming from Africa Re Regional Offices and Subsidiaries from 2018 to 2025.

# Performance Highlights: African Oil and Energy Insurance Pools

Item	2018	2019	2020	2021	2022	2023	2024	2025
Subscribed Capacity	8,860,000	8,860,000	8,860,000	8,860,000	8,860,000	8,860,000	8,860,000	9,160,000
Underwriting Capacity	90,000,000	90,000,000	90,000,000	90,000,000	90,000,000	90,000,000	90,000,000	90,000,000
Retention	6,500,000	6,500,000	6,500,000	6,500,000	6,500,000	6,500,000	6,500,000	6,500,000
<b>Gross Written Premium</b>	<b>28,157,981</b>	<b>30,600,251</b>	<b>28,246,581</b>	<b>28,687,089</b>	<b>29,030,838</b>	<b>27,132,527</b>	<b>28,866,401</b>	<b>27,815,890</b>
Net Written Premium	24,993,125	26,544,110	23,614,093	24,459,790	24,086,933	20,569,312	23,908,478	19,783,595
Net Earned Premium	24,530,681	25,567,202	24,555,561	24,283,586	27,273,487	21,858,979	23,970,352	20,704,938
Net Incurred Claims	-22,189,638	-26,327,553	-25,981,459	-15,287,283	-13,889,101	-4,890,129	-15,749,567	-27,815,581
Net Acquisition Cost	-6,671,451	-4,369,521	-5,880,132	-4,685,025	-8,677,633	-6,029,531	-5,775,381	-6,662,702
Administrative Expenses	-3,180,014	-10,567,429	-3,304,791	-1,472,472	-1,491,233	-2,729,149	-1,566,271	-1,785,788
Underwriting Income	<b>-7,510,422</b>	<b>-15,697,301</b>	<b>-10,610,821</b>	<b>2,838,806</b>	<b>3,215,520</b>	<b>8,210,170</b>	<b>879,133</b>	<b>-15,559,133</b>
Interest Income	<b>1,332,157</b>	<b>2,595,248</b>	<b>744,075</b>	<b>45,792</b>	<b>572,858</b>	<b>2,030,527</b>	<b>4,708,852</b>	<b>2,568,502</b>
Foreign Exchange Movements	-398,776	1,946,368	-218,342	-83	-5,373	-17,430	22,876	3,129
Net Income	<b>-6,577,041</b>	<b>-11,155,685</b>	<b>-10,085,088</b>	<b>2,884,515</b>	<b>3,783,005</b>	<b>10,223,267</b>	<b>5,610,861</b>	<b>-12,987,502</b>
<b>Total Assets</b>	<b>65,828,793</b>	<b>89,590,923</b>	<b>73,589,587</b>	<b>73,782,176</b>	<b>79,961,284</b>	<b>86,473,826</b>	<b>93,836,880</b>	<b>91,800,573</b>
<b>Total Liabilities</b>	<b>22,209,936</b>	<b>57,127,750</b>	<b>49,281,792</b>	<b>48,863,615</b>	<b>51,259,718</b>	<b>47,548,993</b>	<b>49,288,439</b>	<b>61,261,842</b>
<b>Participating Members Account</b>	<b>43,618,857</b>	<b>32,463,173</b>	<b>24,307,795</b>	<b>24,918,561</b>	<b>28,701,566</b>	<b>38,924,833</b>	<b>44,548,441</b>	<b>30,538,731</b>

Despite members joining by participating lines and no actual capital injection, the African Oil and Energy Insurance Pool has built significant capital buffers and was also able to support a bailout for the African Aviation Insurance Pool.

# Performance Highlights: African Aviation Insurance Pools

Item	2018	2019	2020	2021	2022	2023	2024	2025
Subscribed Capacity	8,110,000	8,110,000	8,110,000	8,110,000	8,110,000	8,110,000	8,110,000	8,110,000
Underwriting Capacity	17,500,000	17,500,000	17,500,000	17,500,000	17,500,000	17,500,000	12,000,000	9,000,000
Retention	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
<b>Gross Written Premium</b>	<b>2,856,788</b>	<b>2,469,255</b>	<b>1,927,966</b>	<b>1,373,985</b>	<b>1,289,856</b>	<b>730,515</b>	<b>371,116</b>	<b>816,597</b>
Net Written Premium	2,546,788	1,986,755	1,169,128	695,059	874,856	117,015	-186,384	576,072
Net Earned Premium	1,972,950	2,103,015	1,331,515	861,253	1,082,299	149,125	-184,543	526,601
Net Incurred Claims	-1,739,262	-4,125,927	-2,882,534	-73,826	-26,343	162,592	-115,135	-549,258
Net Acquisition Cost	-515,502	-427,922	-382,813	-250,782	-404,520	-164,220	-94,484	-146,615
Administrative Expenses	-5,863,108	-2,895,763	-121,910	-91,307	-91,531	-61,811	-103,827	-69,561
Underwriting Income	<b>-6,144,922</b>	<b>-5,346,597</b>	<b>-2,055,742</b>	<b>445,338</b>	<b>559,905</b>	<b>85,686</b>	<b>-497,989</b>	<b>-238,833</b>
Interest Income	73,280	363,048	139	6,284	36,451	119,342	603,618	98,968
Foreign Exchange Movements	19,420	349,995	-32,503	-10,006	-19,783	-8,827	-81,282	27,192
Net Income	<b>-6,052,222</b>	<b>-4,633,554</b>	<b>-2,088,106</b>	<b>441,616</b>	<b>576,573</b>	<b>196,201</b>	<b>24,347</b>	<b>-112,673</b>
<b>Total Assets</b>	<b>6,593,153</b>	<b>2,556,220</b>	<b>3,047,125</b>	<b>4,007,121</b>	<b>3,306,280</b>	<b>3,649,024</b>	<b>3,435,261</b>	<b>3,570,596</b>
<b>Total Liabilities</b>	<b>10,855,879</b>	<b>11,452,499</b>	<b>14,031,510</b>	<b>12,276,144</b>	<b>10,998,728</b>	<b>10,461,531</b>	<b>10,387,041</b>	<b>10,635,049</b>
<b>Participating Members Account</b>	<b>-4,262,726</b>	<b>-8,896,279</b>	<b>-10,984,385</b>	<b>-8,269,023</b>	<b>-7,692,448</b>	<b>-6,812,507</b>	<b>-6,951,780</b>	<b>-7,064,453</b>

The Aviation Pool has been hit by significant losses in recent years and undergoing a turnaround strategy.

# Challenges and Recommendations: African Insurance Pools

## Challenges

### Membership Commitment

There are concerns around the Commitment of the members of the African Insurance Pools to cede business to the African Oil and Energy Insurance Pool (AOEIP) as well as the African Aviation Insurance Pool (AAIP).

### Capital Structure

The membership of the Pools is mostly by subscription with no real capital injection which makes it not binding and enforceable on the members of the AOEIP and AAIP.

### Rating Requirement

There are requirements in some markets for the business partners of special risks to be rated. Some of the requirements demand atleast A or BBB for which the AOEIP and AAIP are not rated.

### Risk Coverage

Since the Pools focus on specific lines of business such as Energy, Aviation, Natural Catastrophes, Nuclear and other specialty lines, the patronage of the Pools is also significantly impacted.

## Recommendations

### Market Advocacy

There is a need to reengage the existing and prospective members on the benefits of the benefits of the Insurance Pools. It is critical to ensure that they are not seen as competitors but partners for market development. This should improve support.

### Capital Commitment

There is a need to review the capital commitment of members of the Pool from Membership Guarantees to Hard Capital to ensure that they have their skin in the game. The Pools can also consider including Government Guarantees as a backstop. Some Pools demand payment of a percentage of subscription lines.

### Regulatory Recognition

There should also be further regulatory recognition by the Association of African Insurers Supervisory Authorities (AAISA) of the Insurance Pools as a local capacity for the insurance market with the available capacity considered before cessions abroad.

### Specialty Lines

The use of Insurance Pools for specialty lines of business that are difficult to underwrite and require higher capacity should be considered by countries to improve local retention. This should cover Natural Catastrophes, Cyber and Trade Credit and Political Risks.

# Insurance Pools: Addressing Market Fragmentation and Specialty Risks

Insurance Pools have **significant potential to support the development of the African insurance industry** as they help solve some of the problems that have historically made African risk look unattractive to commercial underwriters. This includes: **insufficient data, low insurance premium bases, and concentrated exposure.**

With Insurance Pools, aggregating risk across geographies, sectors, and income levels helps to address the issues of fragmentation. We can **create the volume, the diversification, and the loss experience data that make pricing possible and profitable.** Insurance Pools also create the **market infrastructure including common platforms, shared modelling tools and standardised policy** terms that can dramatically reduce administrative costs by strengthening capacity building.

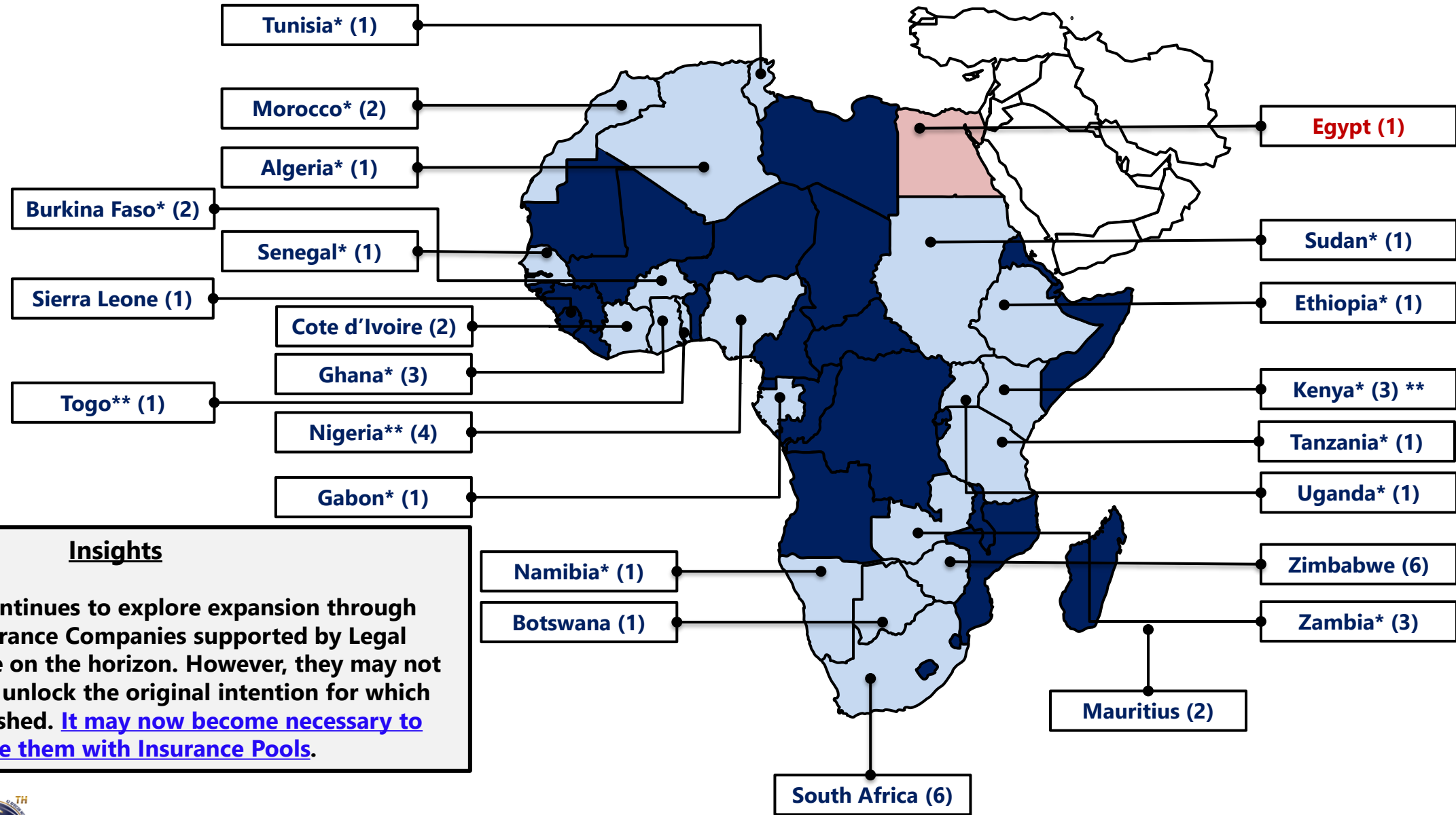
Insurance Pools when done right have **shown significant value especially with the active commitment for market development of its members.** There is no one-size fits all for insurance pools, **members can explore ways to reflect their peculiarities and interest including regulatory recognition, risk types, surplus distribution and capital structures.**

The question for every insurer and reinsurer in this room is not whether Africa's pool market will mature but whether our respective institutions will help shape it and benefit from it. We must prioritise **sharing insurance risks across the continent to build capacity, retain capital, and reduce reliance on hard currencies before turning to international markets.**



# Rethinking the Future

# Reinsurance Companies: Local Players and Subsidiaries of International Players

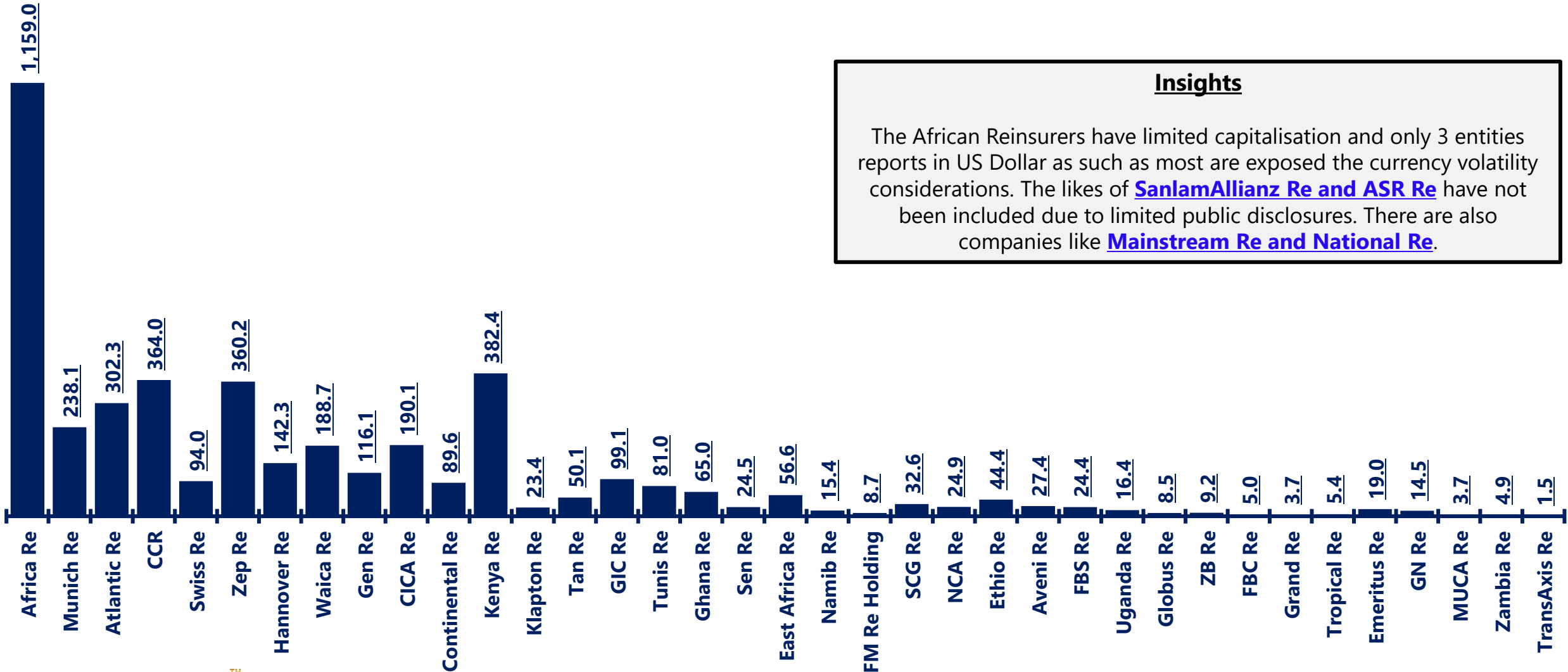


## Insights

The continent continues to explore expansion through National Reinsurance Companies supported by Legal Cessions with more on the horizon. However, they may not have been able to unlock the original intention for which they were established. It may now become necessary to optimize them with Insurance Pools.

# Key Considerations: Capital Constraints and Risk Appetite

## 2024 Shareholders' Equity (US\$ Millions)



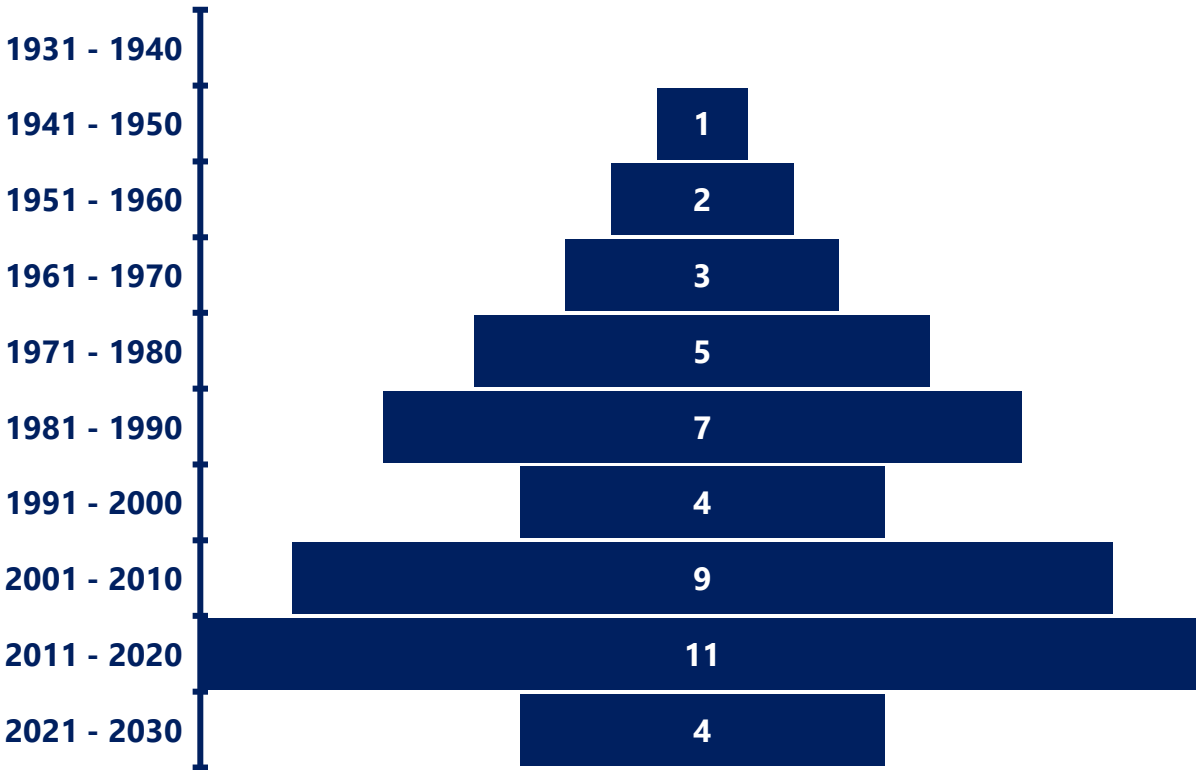
### Insights

The African Reinsurers have limited capitalisation and only 3 entities reports in US Dollar as such as most are exposed the currency volatility considerations. The likes of [SanlamAllianz Re](#) and [ASR Re](#) have not been included due to limited public disclosures. There are also companies like [Mainstream Re](#) and [National Re](#).

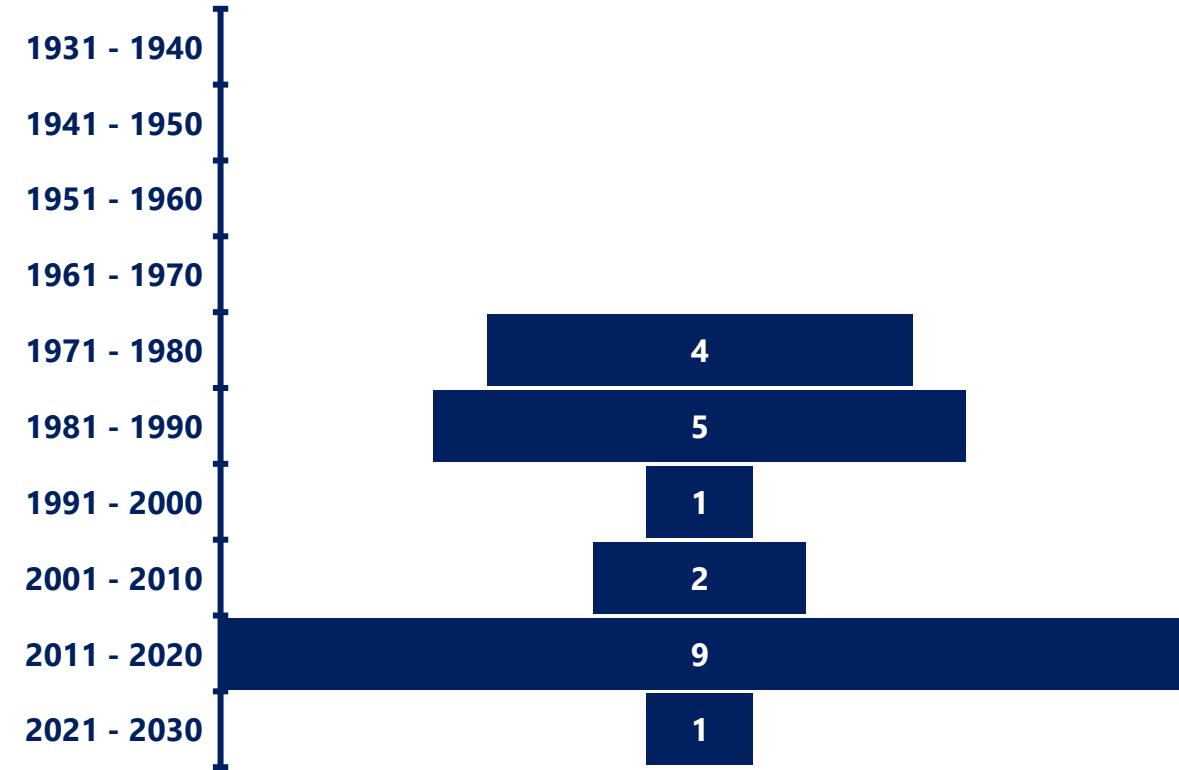
**Source:** Atlas Magazine (Deriving Shareholders' Fund from Net Result and Return on Equity)

# Key Considerations: Insurance Pools and National Reinsurers (1/2)

Evolution of Reinsurance Companies



Evolution of Insurance and Reinsurance Pools



According to **Atlas Magazine**, "Africa, which accounts for just **1.6% of global premium, has the highest number of reinsurers per continent, with 48 entities by the end of 2024**. By comparison, the American and European continents, with 39 and 26 reinsurers respectively, underwrite 43.40% and 45.50% of global reinsurance premiums". **How do we retain more risks on the continent?**

The continent has been adopting the use of Pools for **Special Risks on a National, Regional or Continental Coverage**. The key consideration is the effectiveness and efficiency of those Pools in managing the risks that the continent faces. **After over 50 years of creating reinsurers, is it time to revisit the model and energise Insurance Pools in the evolving risk landscape for premium retention.**

**Is it time to leverage a Hybrid Model of Insurance Pools and National Reinsurers to Promote Premium Retention and Optimize Capital?**

# Key Considerations: Insurance Pools and National Reinsurers (2/2)

## Adverse Selection

It is possible for insurers to systematically **cede their worst-priced, highest-loss risks to national reinsurers** at regulated rates while retaining their best risks. The national reinsurers then accumulate structurally underpriced portfolios and persistent reserve deficiencies.

## Capital Requirements

The capital requirements for national reinsurers is often significant and is estimated between **US\$ 20 Million to US\$ 100 Million**. The use of Insurance Pools including Retrocession Placement leverages on the Balance Sheet of its members and do not require the deployment of sovereign capital.

## Capacity Building

With National Reinsurers, the market does not **need to develop expertise in specialty lines of business** as such businesses can be ceded to National Reinsurers. As members of the Pool, members are taking a share of the business, and this supports capacity building.

## Innovation Gap

The incentivization of National Reinsurers through compulsory cessions has **widened the innovation gap and created permanent dependence**. Pools allow quick market intervention without legislative procedures that takes too long to implement at a minimum of 3 to 5 years.

## Corporate Governance

The government ownership of National Reinsurance Companies subject **leadership appointments, investment decisions, and pricing policies** to political pressures that compromise actuarial discipline and long-term financial sustainability.

## Regulatory Leverage

This is the structural advantage of National Reinsurers. A mandatory cession regime **backed by legislation** is the most powerful tool for ensuring domestic retention. The Pool participation, by contrast, **requires regulatory encouragement or mandate** to achieve full market coverage.

## Rating Support

The Insurance Pools can leverage on the Financial Strength and Credit Ratings of its Pool Manager or can choose to be independently rated. However, the **Pool Manager is a critical factor in this process** as most National Reinsurers are not strongly rated today.

## Premium Retention

The National Reinsurers and Insurance Pools support Premium Retention but for Pools, surpluses are **redistributed to members who reinvest in underwriting capacity**. However, National Reinsurers surpluses flows to National Treasury which may not be reinvested in the industry.



# Closing

# Conclusion: Key Takeaways

- ❖ The **National Reinsurance Company Model** was the right institutional instrument for the 1960s, when African insurance markets were **nascent, insurers were tiny, and international connections were limited**. Fifty years later, the context has fundamentally changed. Private African **insurers are larger, more sophisticated, and more internationally connected**. **African reinsurers now provide rated capacity** that was unavailable at independence and the international retrocession markets are accessible through pool managers that would have been unimaginable in 1970.
- ❖ The **National Reinsurance Company Model** has not kept pace with this evolution. It remains **structurally wedded to an adversarial relationship between the state and the private market**, to the **concentration of expertise in one institution rather than its distribution across many**, and to the **absorption of scarce sovereign capital in activities that could be funded by private balance sheets**.
- ❖ The **Insurance and Reinsurance Pool Model** is the upgrade the African insurance market needs. It achieves every legitimate policy objective of a National Reinsurance Company including **domestic premium retention, market capacity building, foreign exchange conservation, and regulatory credibility**, at a **fraction of the capital cost, without the adverse selection dilemma, and with the market incentive alignment that is the necessary foundation for a genuinely competitive domestic insurance industry**.
- ❖ It is time to **adopt a Hybrid Model of optimising existing National Reinsurance Companies with Insurance Pools** to cover continent-wide risks for the development of the African insurance and reinsurance industry. It may help for countries to explore the potential of Insurance and Reinsurance Pools before considering National Reinsurers going forward. This is further necessitated by the emerging risk landscape for which the continent has not built sufficient **expertise to drive collaboration even in competition**. This calls for **membership support and innovation commitment** to unlock the strategic value proposition of insurance. **The model can always be tweaked to achieve market objectives on a case-by-case basis**.

# Thank You

