Insurance Survey findings

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pwc

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01

Survey Overview

Companies surveyed and response rate

2022			
Companies	**Responses**	**Response rate**	**Market share**
34	20	59%	82.3%

2023			
Companies	**Responses**	**Response rate**	**Market share**
39	15	44.12%	72.8%

02

The five issues affecting the sector

Top five issues affecting the sector

2023 top issues

1	Recoverability of premium debtors (3.42)
2	Impact of amended Insurance Act (3.33)
3	Competition and erosion of premium rates (2.83)
4	IFRS 17 implementation readiness (2.17)
5	State of the local economy and its impact on the business (0.92)

2022 top issues

1	Recoverability of premium debtors (3.00)
2	Expected impact of the amended insurance act and proposed solvency requirements (2.25)
3	Competition and erosion of premium rates.(2.15)
4	IFRS 17 implementation readiness (1.55)
5	Regulatory environment (1.33)

Top five issues affecting the sector

Recoverability of premium debtors

Issues

- Delayed remittance by brokers
- Deterioration of the macro-economic environment

Proposed solution

- Introduction of a ‘Cash and Carry’ model
- Settlement of premiums directly to insurance companies
- Stricter enforcement of regulations
- Clear regulatory guidelines on premium remittance

Comparison with other countries

Cash and Carry model implemented in the following countries: Tanzania, Kenya, Uganda, Rwanda and Ghana - level of enforcement varies

Top five issues affecting the sector

Impact of amended Insurance Act

- Compliance with new risk-based capital
- Localisation of shareholding
- Remittance of premiums by brokers within 14 days
- Enhanced reporting disclosures requirements

- Consider grandfathering shareholding requirements for the local minimum requirement.
- Tailor the solvency requirements to the local environment
- 30% Local shareholding should be implemented over a longer period as opposed to the 3 years.
- Enforce compliance to instil discipline among brokers
- Defer requirement for publication of financial results

Impact of amended Insurance Act

The new Insurance Act introduces significant changes, Below is the feedback from our respondents on the key positive reforms contained in the new Insurance Act

Key positive reforms contained in the new Insurance Act

Perpetual licensing

Increased transparency in the results of industry players

Localisation of shareholding

Good corporate governance standards

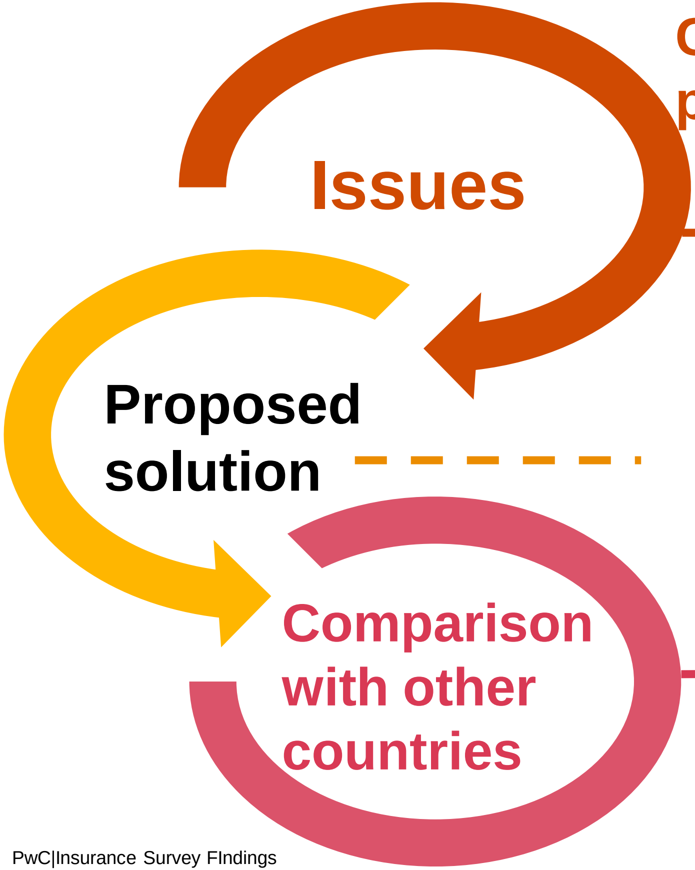
Benefits of risk based capital

The PIA issued a position paper on solvency regulations in which they have proposed a Risk Based Capital Approach in assessing the solvency of insurance companies.

Below is the feedback from our respondents on what impact will the new risk-based capital approach have on the sector:

- Stronger and more resilient sector
- Improved supervision of insurers, reinsurers, and intermediaries
- Promote market consolidation
- Provide for better regulation of the insurance industry

Top five issues affecting the sector



Competition and resultant erosion of premium rates

- Race to the bottom
- Unethical business practices
- Delayed claims settlement
- Insufficient capital for growth and innovation

- Introduction and enforcement of minimum premium rates

Minimum premium rates are currently implemented in: Tanzania, Kenya, Uganda, Rwanda - level of enforcement varies.

03

IFRS 17 and Sector readiness

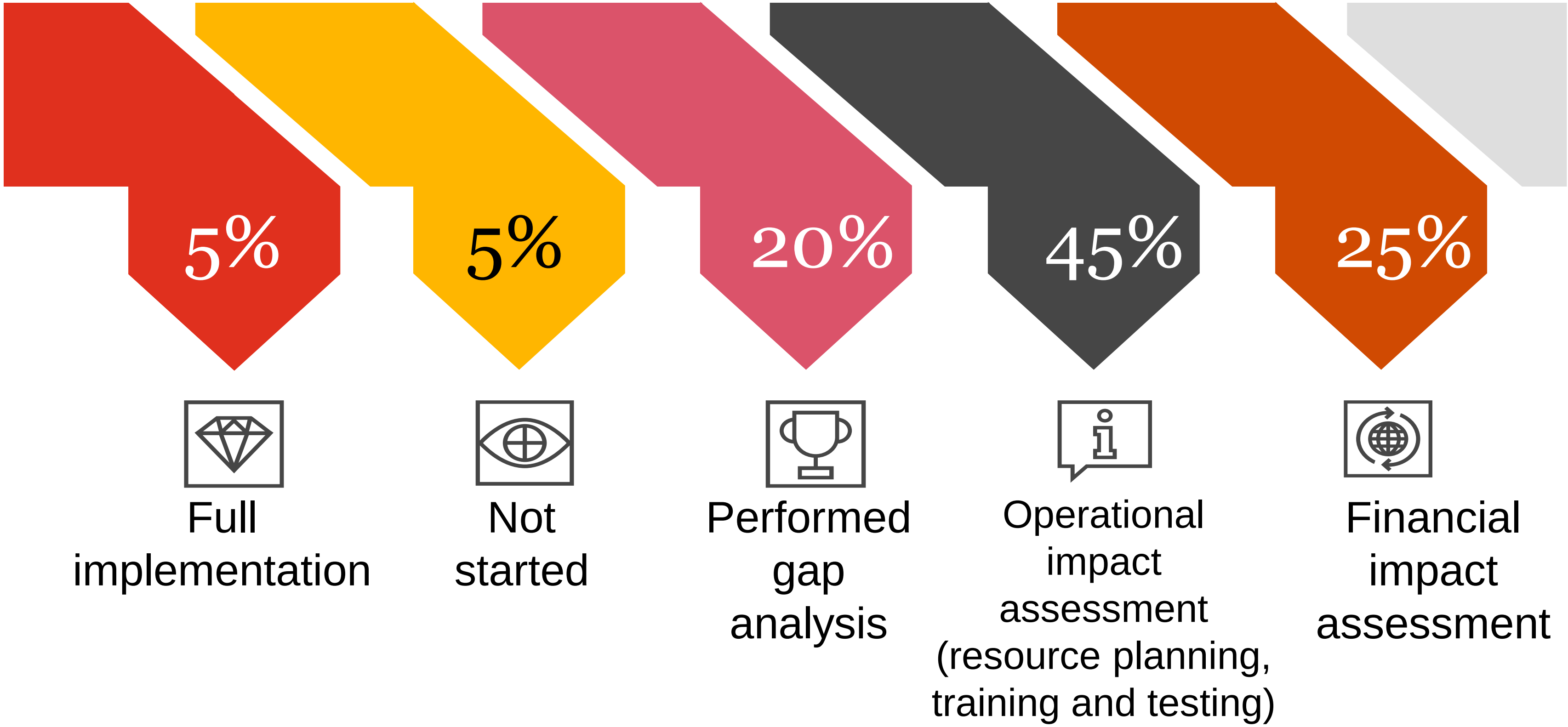
IFRS 17 and sector readiness

Status of IFRS 17 implementation as per survey results - November 2023

20%	0%	7%	7%	66%
Full implementation	Not started	Performed gap analysis and Financial impact assessment	Operational impact assessment (resource planning, training and testing)	Prepared IFRS 17 prior year comparatives

IFRS 17 and sector readiness

Status of IFRS 17 implementation as per survey results 2022



IFRS 17 and sector readiness

Other matters

01
IFRS 17 Measurement method
- Premium approach - 9
- General approach - 4
- PAA and GMM - 2
- Variable fee - 0

02
Transition approach
- Full retrospective - 7
- Fair value approach- 5
- Modified approach - 3
- Not indicated - 0

03
Training conducted
- Training conducted - 15
- Training not conducted - 0

100% Training record

04
2021 and 2022 IFRS 17 comparatives
- Been prepared - 12
- Have not prepared- 3

05
Full IFRS 17 compliance by 31 March 2024
- Will be fully compliant - 15
- Will not be compliant - 0

100% compliance record

IFRS 17 and sector readiness

Regulation

01

IFRS 17 impact on solvency

- Assessment performed - 8
- Assessment not performed- 7
- Not indicated - 0

02

Has the regulator provided enough support

- Regulator provided enough support - 9
- Regulator has not provided enough support - 6

03

Should IFRS 17 be deferred by the regulator

- Should be deferred - 7
- Should not be deferred - 8

Impacts noted

- Reduce Solvency significantly
- Increase in liabilities at inception

Challenges with support

- Not enough training
- Guidance on uniform approach
- Better timing
- More engagement with industry

Reasons for deferment

- Costs are too high
- Knowledge gaps
- Other regulatory changes
- Industry still learning
- System changes
- Time for auditors to review

IFRS 17 implementation

The purpose of the implementation of IFRS 17 is to improve financial reporting to help management and other stakeholders make better decisions.

Benefits

·Change in revenue recognition removes concentration on topline. This then will force players to revert to prudent underwriting.

·Uniformity of industry performance results. Improved comparison of financial statements and enhanced product performance reporting

·Onerous contracts will receive the appropriate attention

·IFRS 17 removes existing inconsistencies in financial reporting

·Assess profitability of business lines to determine pricing

Survey results

- No benefit - 5
- Some benefits - 6
- Highly beneficial - 4

Disadvantages

·High costs of implementation

·No changes with PAA as contracts are less than one year

·Product analysis was already being done by management

05

Other matters

Questions

01

Compliance

Does the cost of compliance exceed the intended benefits?

02

Minimum rates and mandatory insurance

Is this an essential ingredient to growth of the sector?

03

Premium debtors

What is the lesser evil?

04

Risk based capital

Doing the right in the (not so) right time?

05

Localisation rules

Is the market deep enough to achieve this within the stipulated timelines?

06

Skills

Does the sector possess the right skills to support achievement of desired outcomes?

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