

INSURANCE CONFERENCE 2024

**ADAPTING TO THE CHANGING LANDSCAPE
OF ECONOMIC, ENVIRONMENTAL
AND SOCIAL RISKS**

Speaker:

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Organisation

PricewaterhouseCoopers (PwC)



Insurance Survey findings



November 2024



Agenda

1. Survey overview
2. Top 5 issues
3. What next?
4. Contributors

Companies surveyed and response rate



Companies surveyed and response rate

2024

Companies	39
Responses	23
Response rate	59%
Market share*	71%

**Estimated market share based on PIA Annual Report 2022.*

2023

Companies	39
Responses	15
Response rate	44%
Market share*	73%

Companies surveyed and response rate

2024

	Non - Life	Life	Reinsurance
Companies	23	10	6
Responses	10	8	5
Response rate	43%	80%	83%
Market share	59%	86%	88%

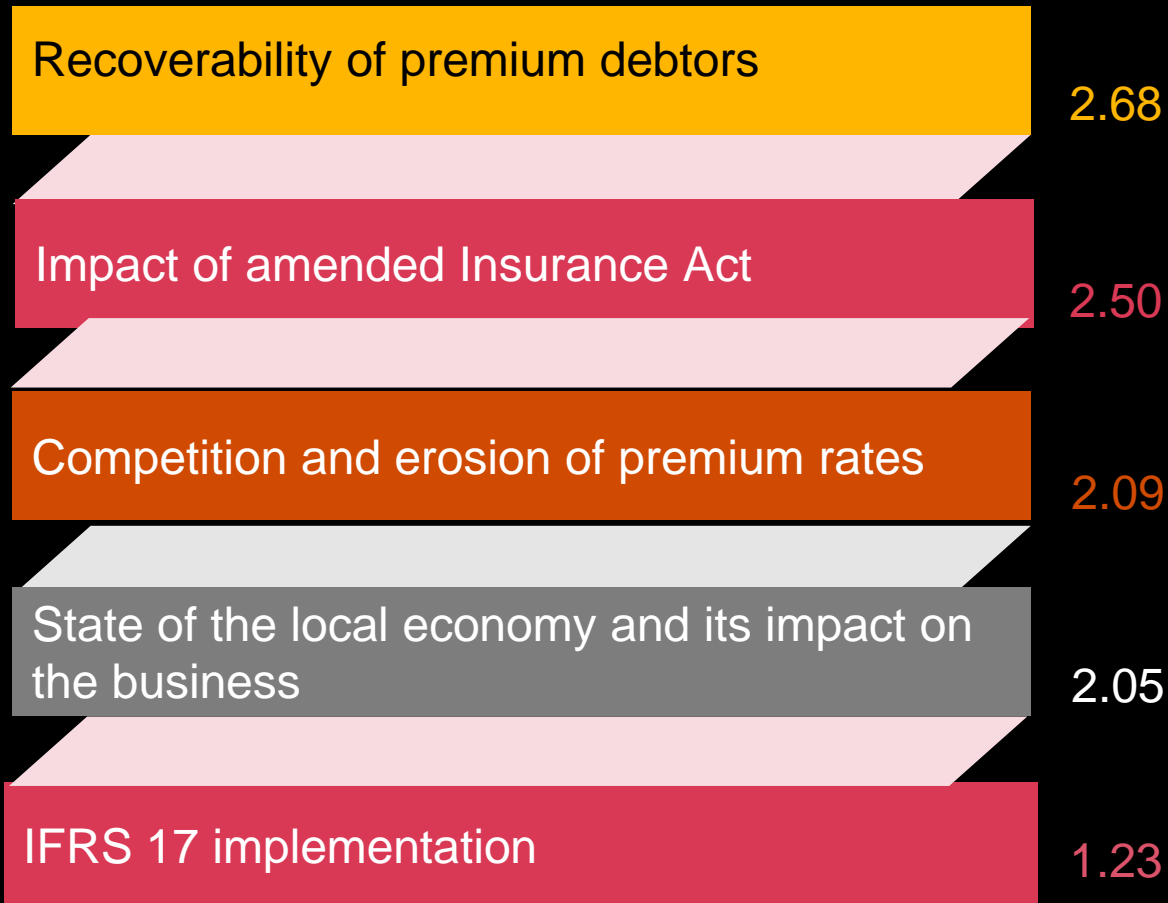
**Estimated market share based on PIA Annual Report 2022*

Top 5 issues

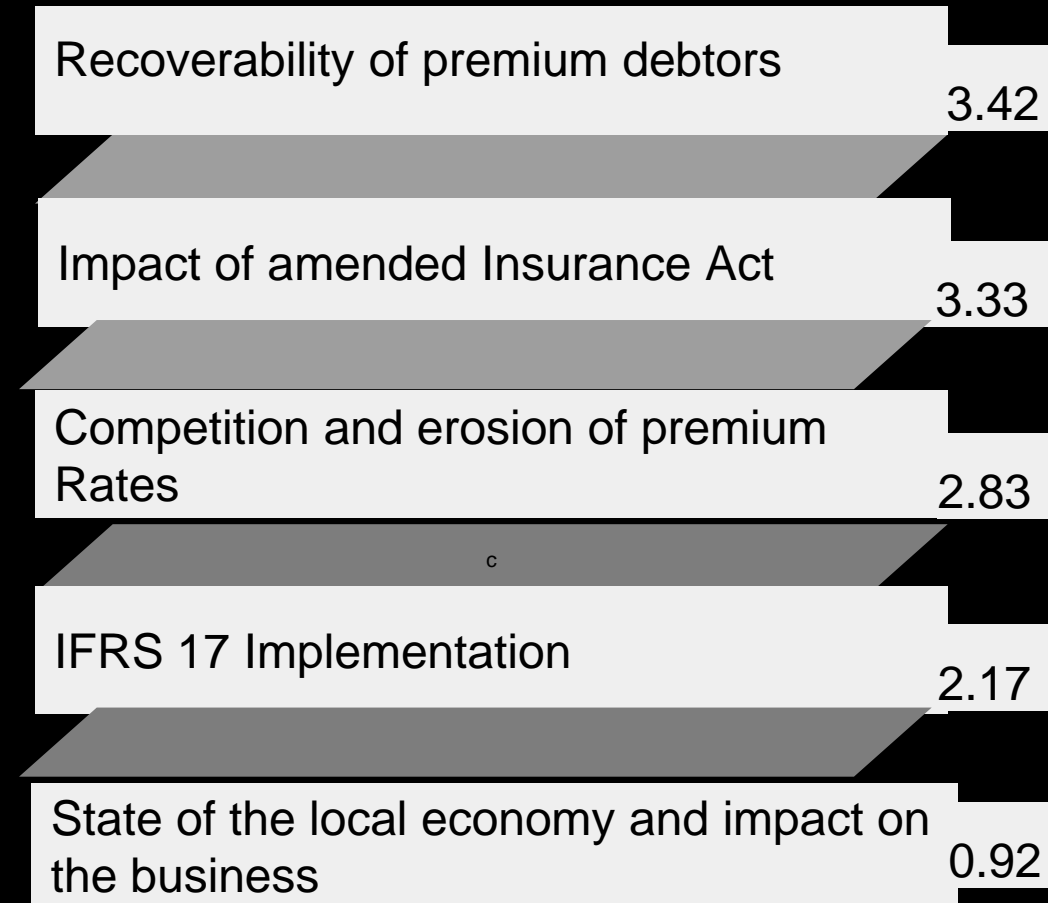


Top 5 issues

2024



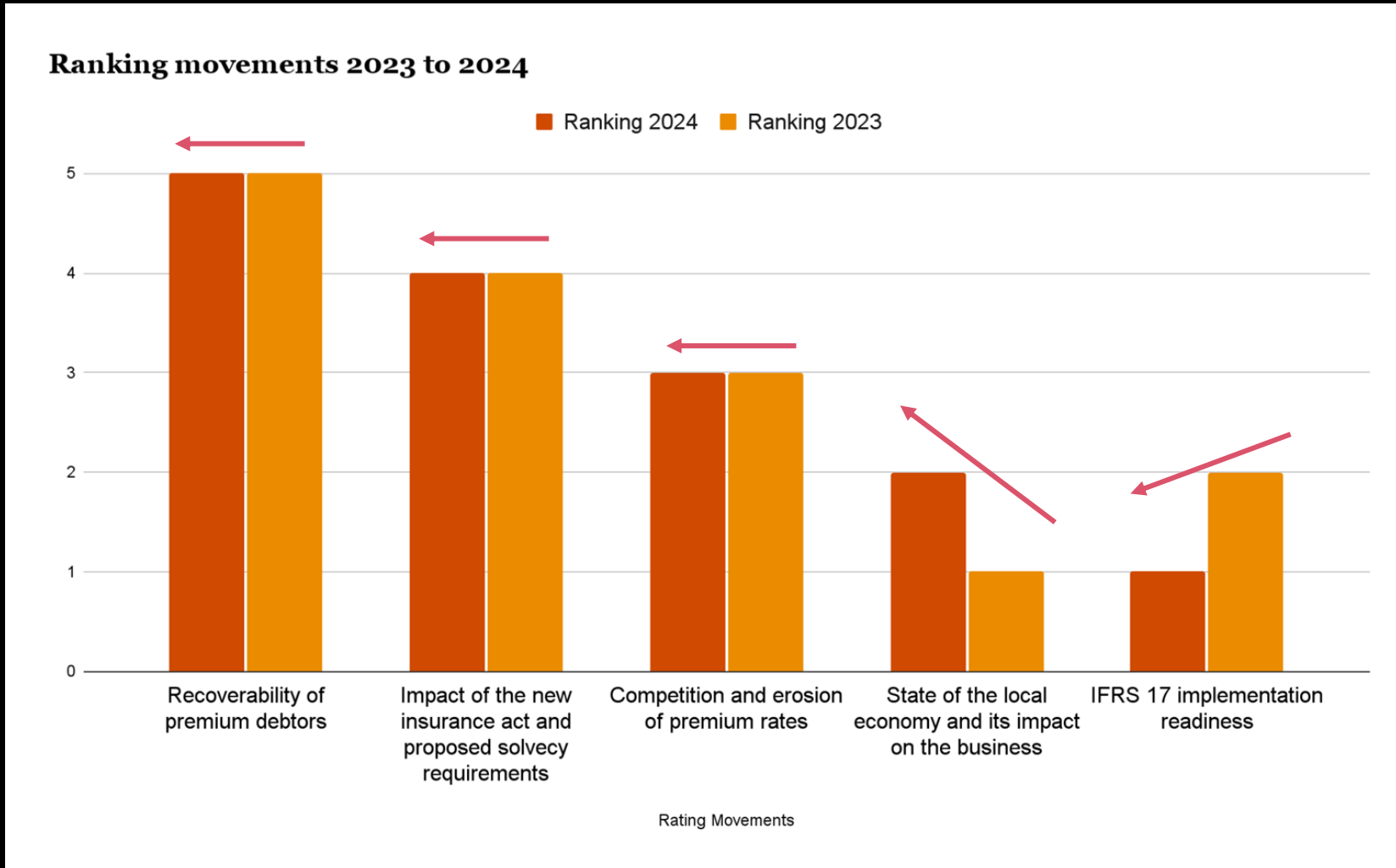
2023



Top 5 issues

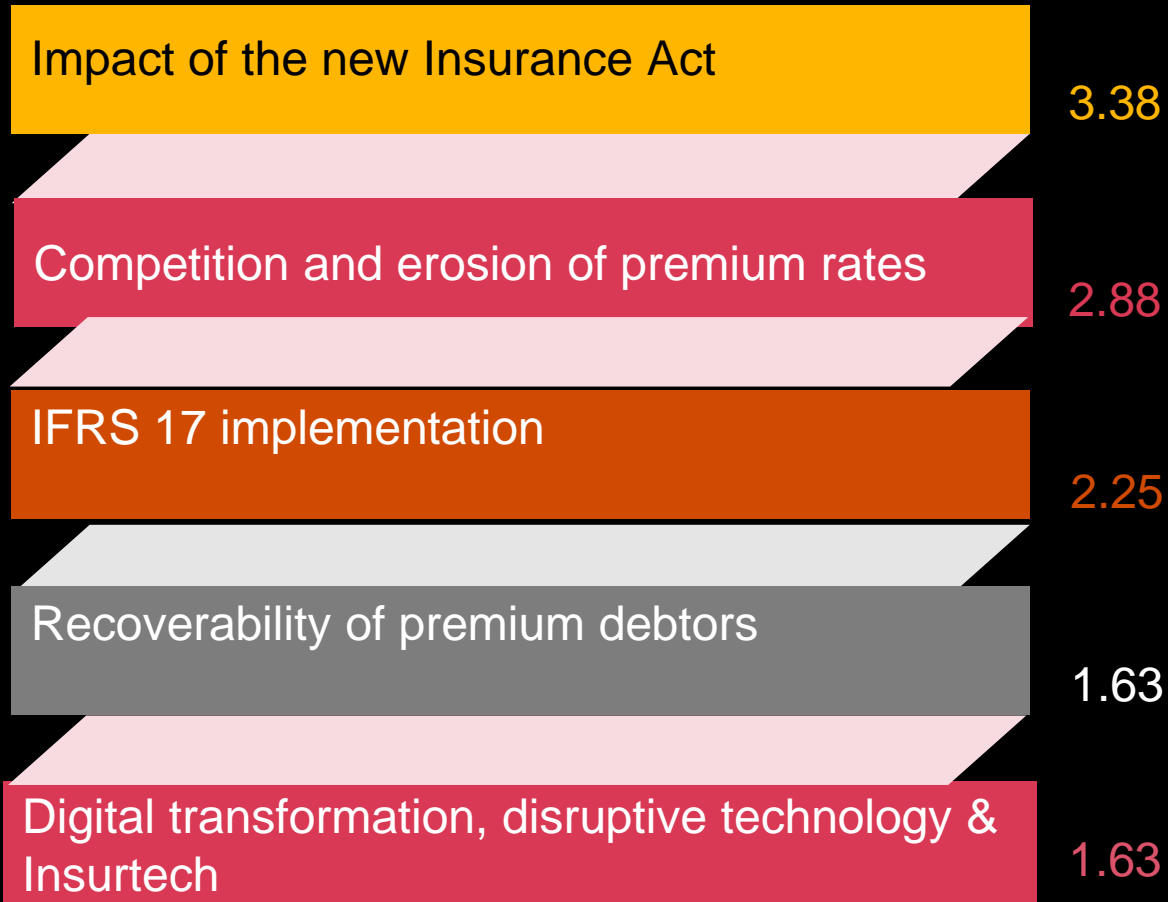
Ranking movements

Increasing ranking
↑

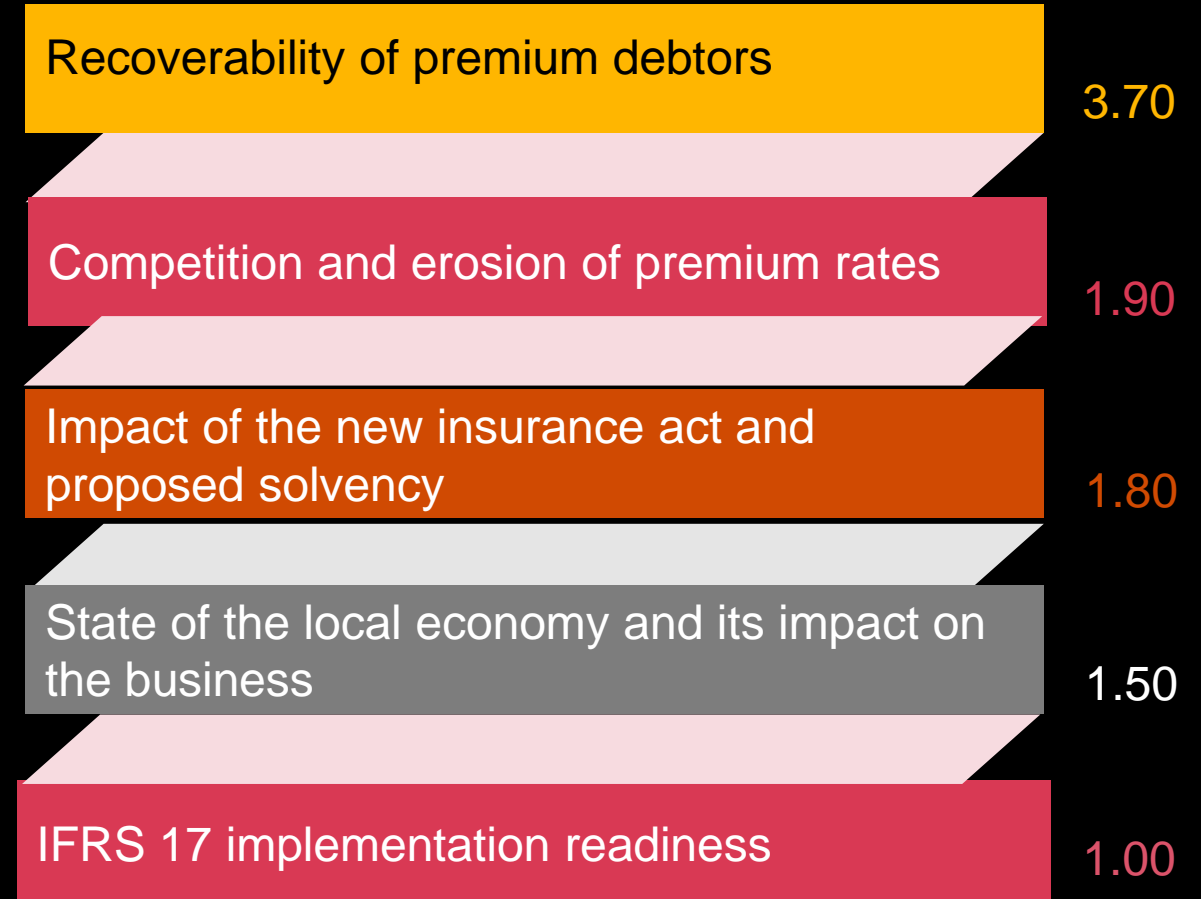


Top 5 issues

2024 - Life

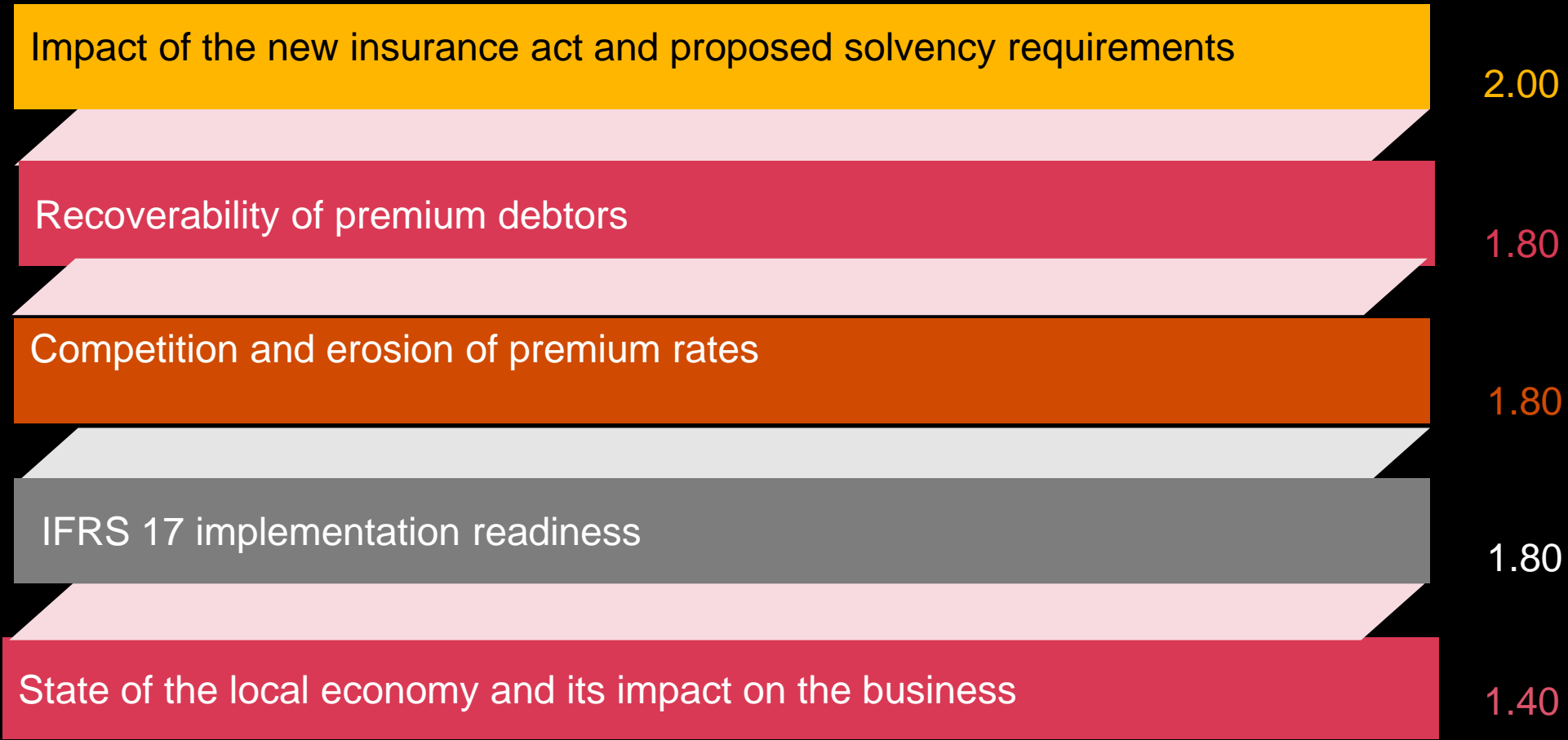


2024 - Non-life



Top 5 issues

2024 - Reinsurance



1

Recoverability of premium debtors



1. Recoverability of premium debtors

The recoverability of premium debt continues to be the number one rated challenge



1

Issues

- Significantly delayed remittance by brokers
- Deterioration of the macro-economic environment
- Unethical use of premium revenue



2

Proposed solutions

- Introduction of a 'cash before cover' model, direct settlement with insurers
- Clear regulatory guidelines on premium remittance and strict penalties for brokers.
- Premium financing to transfer credit risk.



3

14 day transmission of premiums requirement

- Only **35%** of respondents believe the requirement will improve collectability of premiums.

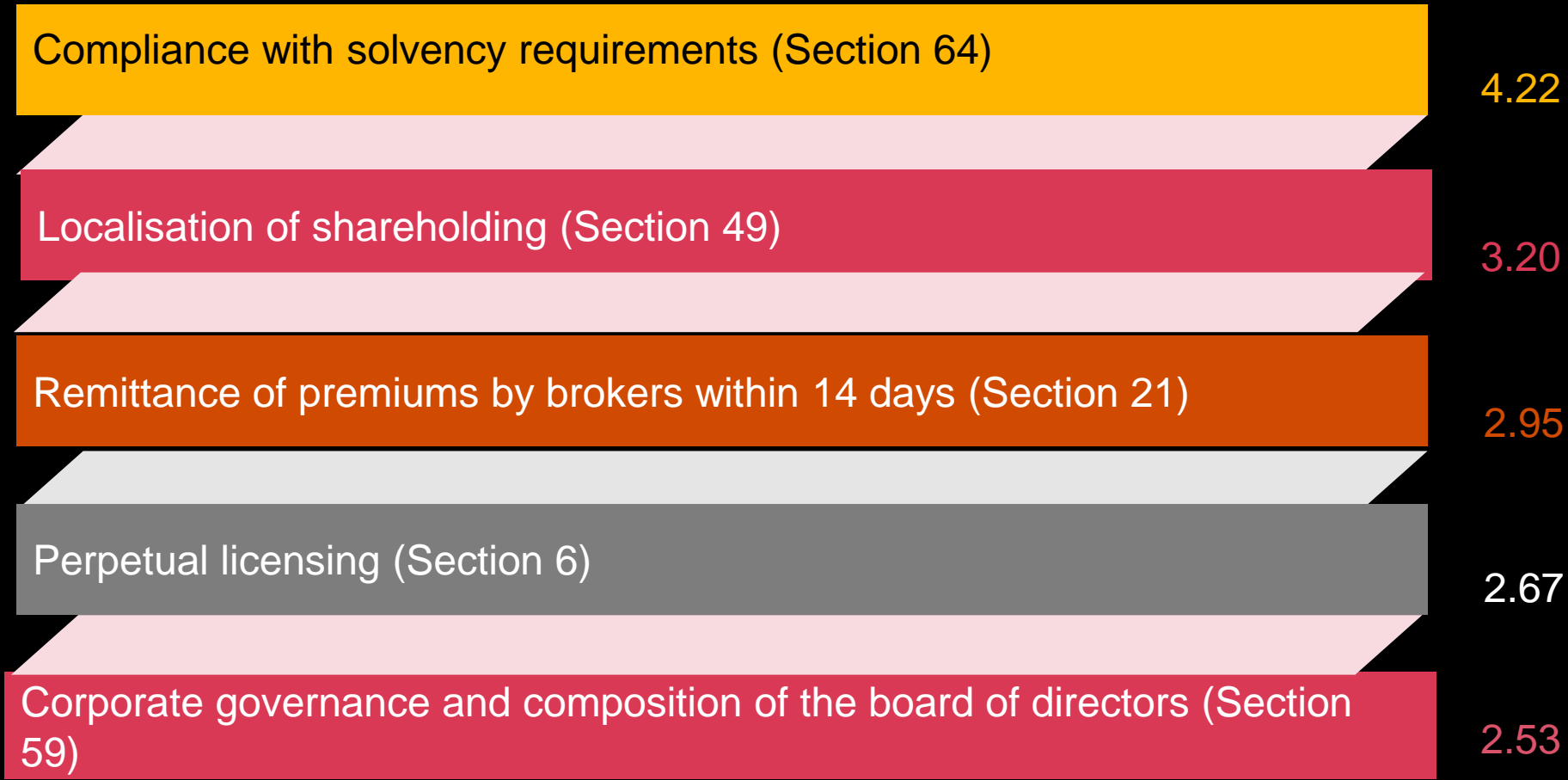
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Impact of amended Insurance Act



2. Impact of amended Insurance Act

Top 5 issues relating to the amended Insurance Act



2. Impact of amended Insurance Act

1. Compliance with solvency requirements (Section 64)

01

The new Insurance Act requires all licensed insurers and reinsurers to have a solvency margin of at least 10% and maintain a capital adequacy ratio of at least 150% which are to be computed in accordance with the regulations.

02

Displayed across is the status and feedback from our respondents on the solvency requirements.



52%

Of respondents ranked compliance with the new solvency requirement as the most pressing issue.



100%

Have performed an impact assessment of the company's solvency position using the Risk Based Capital requirements



45%

Of those that performed an assessment indicated that they are solvent whilst 55% are insolvent. Of the insolvent entities 33% were life insurers whilst 66% Non-life insurers.

2. Impact of amended Insurance Act

1. Compliance with solvency requirements (Section 64)

The complex interaction between the amended risk based solvency requirements and the new financial reporting basis is likely to have a significant impact on the industry.

Our preliminary analysis of market data exploring these interactions indicates that an additional **ZMW1.1B** of additional capital may be required across the life and non-life industries to meet the revised solvency requirements as per Insurance Act No. 38 of 2021.

This represents **13%** of the value of industry Gross Written Premiums as per the ZMW 7.9B estimate shared by the PIA for the year ended 2023.



This estimate is however based on our preliminary high level market analysis of the submitted annual financial statements of **28** insurance companies representing an estimated **75%** of the market. Limitations in the available data for the assessment to calculate some of the risk charges also mean that actual additional capital requirements may be higher.

2. Impact of amended Insurance Act

2



Localisation of shareholding

- Only **52%** of our respondents said they were compliant with the requirements of Section 49

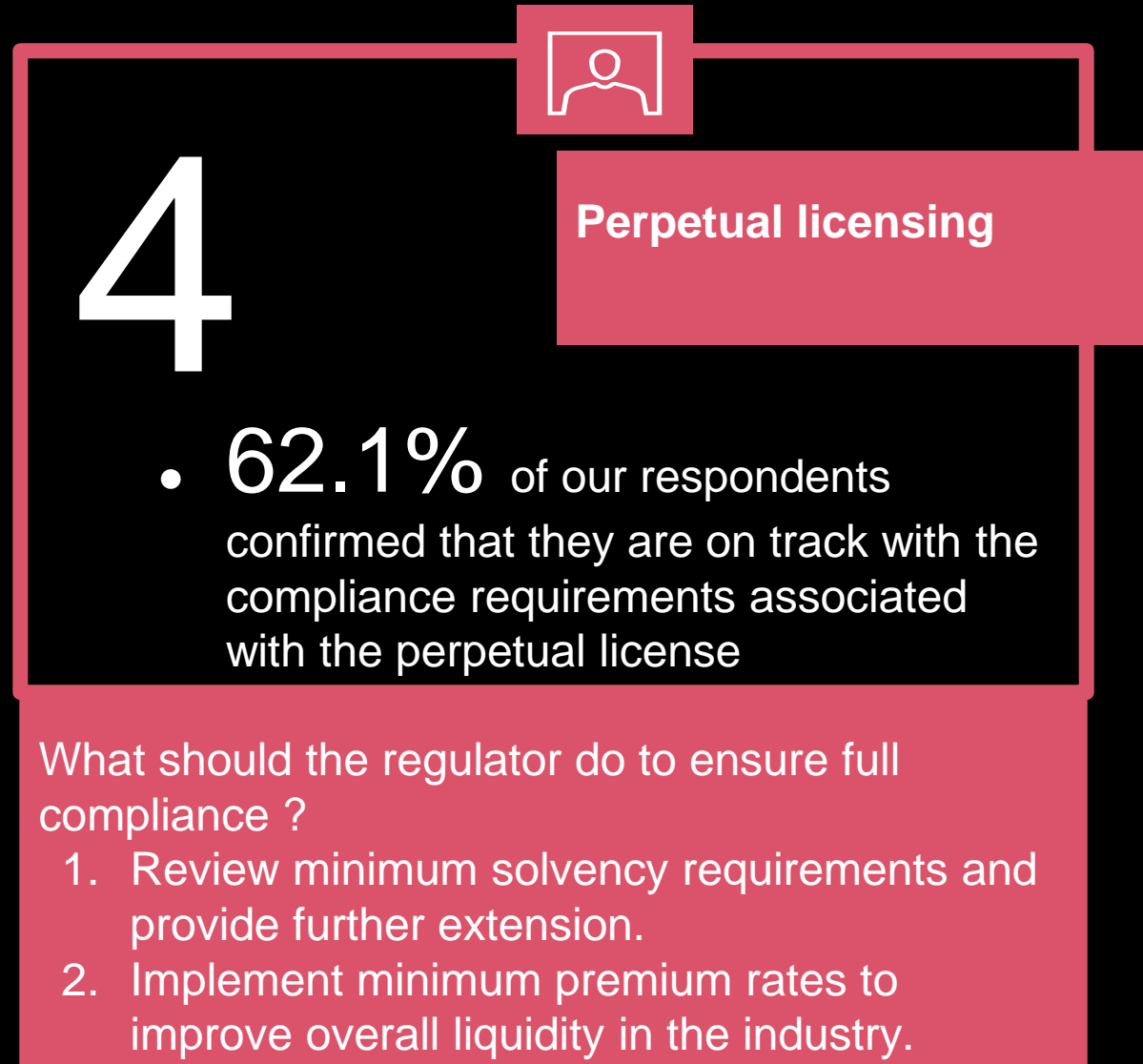
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Remittance of premiums by brokers within 14 days (Section 21)

- Only **35%** of respondents believe the requirement will improve collectability of premiums.

2. Impact of amended Insurance Act



3

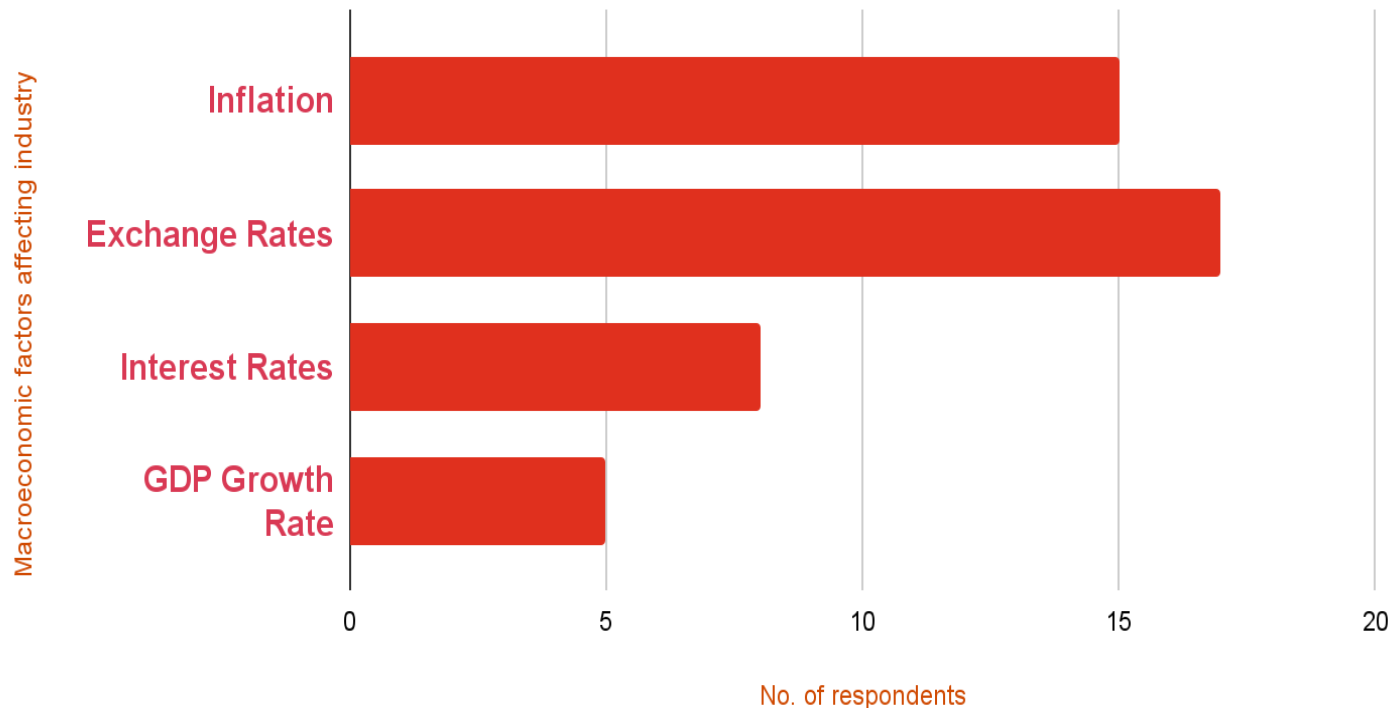
State of the local economy and its impact on business



3. State of the local economy

State of the local economy and its impact on business.

The state of the economy has had a negative impact on the industry



Strategic responses to the challenging macro- economic environment

- Cost containment
- Digital transformation
- Writing foreign currency denominated business
- Efficiency in claims settlement
- Managing investment portfolio

4

Competition and the erosion of premium rates



4. Competition and erosion of premium rates

The industry is plagued by stiff competition against a low policyholder population and insurance penetration rate.

1. Issues

- Pricing based on a race to the bottom
- Unethical business practices
- Protracted claims settlement
- Insufficient capital for growth and innovation

2. Proposed solution

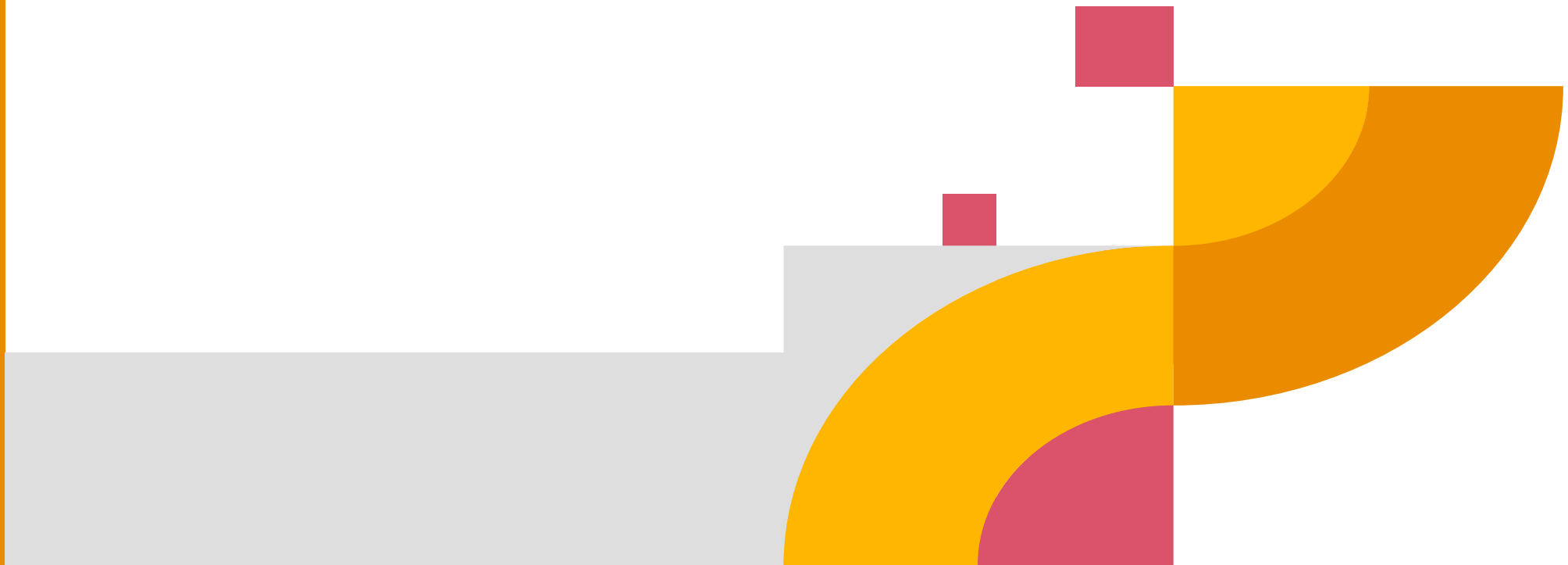
Promulgation of minimum premium rates

3. Comparison with other countries

Minimum premium rates are currently implemented in: Uganda, Rwanda and South Africa- level of enforcement varies.

5

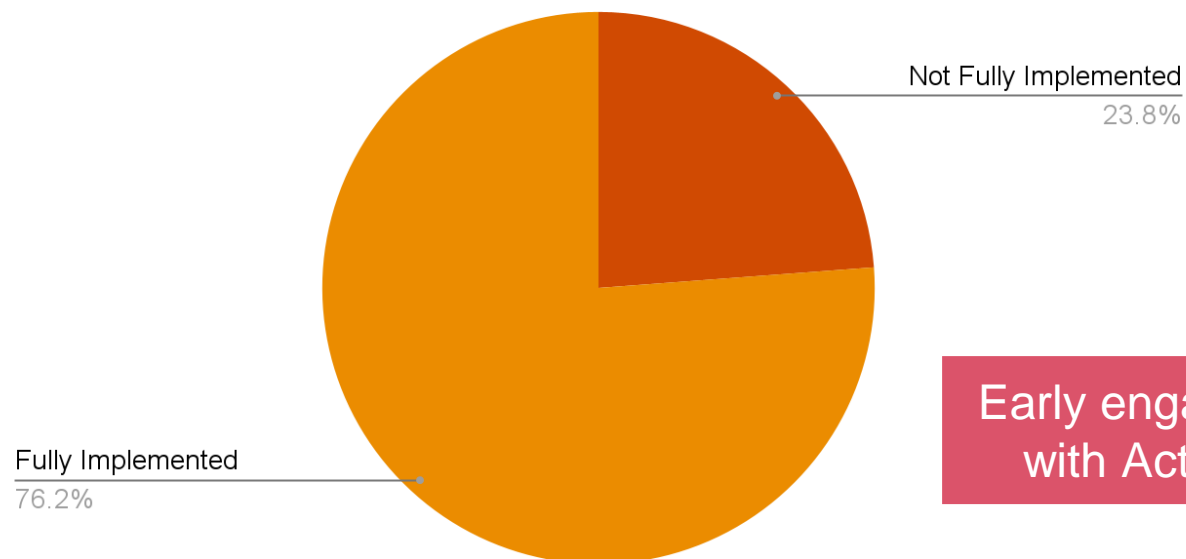
Status of IFRS 17 implementation



5. Status of IFRS 17 implementation

Insurers have continued to experience challenges along the implementation journey

Implementation across the Industry








23.8% of the respondents have not fully implemented IFRS 17

Early engagement
with Actuaries

Steps to
compliance

Internal capacity building
through training

Post implementation experience - Top 5 challenges

	Determining the risk adjustment	01
	Lack of necessary skills	02
	Data collection and management	03
	Determining the fulfilment cash flows directly attributable to groups of insurance contracts	04
	Determining the contractual service margin	05



5. Status of IFRS 17 implementation

Effect of IFRS 17 on company's operational processes

- Significantly Improved (0)
- Improved (12)
- No change (6)
- Worsened (3)
- Significantly worsened (0)

Has the regulator provided enough guidance to the sector?

- Regulator has provided enough support (7)
- Regulator has not provided enough support (14)

Respondents comments on what support can be rendered

- Communication of minimum disclosure requirements for financial reporting
- More engagement with industry

Lessons Learnt from implementation process

- Need for regular communication and collaboration between companies' accounting teams and actuaries.
- Starting early and not waiting till the last minute
- The need for enhancement or change of company system(s)
- The need for adequate data collection and storage.

What next?

01

Recoverability of premium debtors

Doing the right thing or doing the wrong thing better?

02

Impact of the amended Insurance Act

More (candid) collaboration between the regulator and insurance companies is critical to achieving the desired outcomes.

03

State of the local economy

What role can insurance sector play in stimulating economic growth?

04

Competition and erosion of premium rates

Is regulation of minimum rates the solution?

05

IFRS 17 implementation

Continuous investment is necessary to ensure appropriate implementation.

Contributors



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Thank you



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