



# THE INSURANCE BROKERS ASSOCIATION OF UGANDA (IBAU)

## INSURANCE: How can it enable businesses build on their resilience and productivity amid and post COVID-19

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IBAU 2nd ANNUAL CONFERENCE  
21<sup>st</sup> October, 2020



# COVID-19 – Disruption & Opportunities!

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- Ø Pandemic: “A large scale outbreak of infectious disease that can greatly increase morbidity & mortality over a wide geographic area & cause significant economic, social and political disruption
- Ø A global human and health tragedy
- Ø COVID-19 is Impacting all spheres of life – economies, society, industries and our everyday way of life
  - § Causing global economic recession
  - § Disruption in supply chains
  - § Reduction in demand leading to loss of revenue and loss of jobs
  - § Industry shut down e.g. tourism, aviation, transport etc due to travel restrictions
  - § Reduced productivity – employee health.



# COVID-19 – Disruption & Opportunities!



**Jobs**

## **INCOME AND JOBS LOST**

About 1.6 billion informal workers lost 60% of their income, with little to no savings and no access to social protection<sup>h</sup>



**Remittances**

## **REMITTANCES FLOWS REDUCTION**

Remittances to LICs and LMICs are expected to fall by almost 20% cutting off a significant lifeline to many vulnerable households<sup>i</sup>



**Trade**

## **DECLINE IN GLOBAL TRADE**

Global trade values fell 3% in the first quarter of 2020

An estimated quarter-on-quarter decline of 27% is expected in the second quarter<sup>j</sup>



**Commodities**

## **FALLEN COMMODITY PRICES**

Commodity prices fell by a record 20% in March, driven by steep drops in oil prices<sup>k</sup>

Oil prices remain subdued trading at almost 40% lower than the start of the year<sup>k</sup>



**Food insecurity**

## **INCREASE IN FOOD INSECURITY**

COVID-19 will double the number of people facing food crises

About 265 million people in low and middle-income countries at risk of acute food insecurity by the end of 2020 unless swift action is taken

Most people suffering acute food insecurity in 2019 were in countries affected by conflict (77 million), climate change (34 million) and economic crises (24 million people)<sup>l</sup>



**Tourism**

## **DRAMATIC FALL IN TOURISM**

Tourism is considered one of the hardest hits by the COVID-19 outbreak

Potential loss of 850 million to 1.1 billion international tourists

Potential loss of \$910 billion to \$1.2 trillion in export revenues from tourism

Estimated 100 and 120 million jobs at risk<sup>m</sup>

<sup>h</sup> ILO (April 2020), As job losses escalate, nearly half of global workforce at risk of losing livelihoods

<sup>i</sup> World Bank (April 2020) Sharpest Decline of Remittances in Recent History, Press Release, 22 April.

<sup>j</sup> Based on UNCTAD estimates. CCSA (May 2020), How COVID-19 is Changing the World: A Statistical Perspective, Committee for the Coordination of Statistical Activities.

<sup>k</sup> Estimates by the Federal Reserve Bank of St Louis, accessed on 5 June 2020.

<sup>l</sup> FSIN (2020), Global Report on Food Crises, Food Security Information Network.

<sup>m</sup> Estimates by the UN World Tourism Organization (UN WTO) projections (7 May 2020).



# COVID-19 – Disruption & Opportunities!

Figure 2  
Real GDP growth by region



■ Annual average growth rate 2009–2018   ■ 2020E   ■ 2021F   ◆ Growth rate 2019

Monthly updated economic outlooks for key markets are available on the Swiss Re Institute website.

Source: Swiss Re Institute

# Highlights of the Operating Environment

## ***GDP growth rate of main countries*** East Africa Region :

§ Economic disruption caused by the COVID-19 pandemic has pushed East Africa's growth projection for 2020 down to 1.2%.

§ Forecast to rebound to 3.7% in 2021, according AfDB. Assumption: the virus is contained by the third quarter of this year.

Country	GDP 2019	GDP 2020e	GDP Growth assumptions	Curr Depreciation Aug19 - Aug 20	Regulation & Gov Policies
Kenya	5.70%	1.50%	Resilient economy. COVID-19 and Locust impact.	-4.73%	Competitive pressure on premium rates
Ethiopia	7.50%	3.20%	Political unrest. COVID-19 impact.	-22.54%	Market working to introduce minimum rates
Uganda	5.60%	0.40%	Heavy Rains. Locust invasion. COVID-19 impact.	-0.50%	Reins. Premium paid directly to local reinsurers.
Tanzania	6.20%	2.60%	COVID-19 impact and global recession.	-1.02%	Domestication of insurance. Reinsurance local content.
Zambia	2.00%	-2.80%	Drought. Low demand on copper and minerals. Disruption in electricity generation.	-43.75%	Discussion on Insurance local content & Cash and Carry



# COVID-19 – Disruption & Opportunities!

- Ø Not that that the impact of pandemic outbreak and its consequences was not expected.
- Ø Before COVID-19, the World Bank estimated a pandemic could cost between 1% to 10% of world GDP. SWISS Re estimates COVID-19 may lead to a USD12 trillion loss in GDP
- Ø Scientists and the risk management community have always warned of a realistic occurrence of a pandemic outbreak with similar proportions, yet governments globally were not prepared for COVID-19 and the speed of its spread global human and health tragedy
  - ü 2003 SARS
  - ü 2009 Swine flu
  - ü 2014 West Africa Ebola epidemic

**“There have been as many plagues as wars in history, yet always plagues and wars take people equally by surprise.” Albert Camus**

- Ø Pandemics have occurred through out history and appear to be increasing in frequency.



Ø COVID-19 pandemic outbreak has exposed significant gaps and challenges in global



# COVID-19 – Disruption & Opportunities!

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- q However, as Rahm Emanuel reminds us when he stated that, we should "Never let a serious crisis go to waste. And what I mean by that it's an opportunity to do things you think you could not do before."
  
- q "Close scrutiny will show that most 'crisis situations' are opportunities to either advance, or stay where you are." Maxwell Maltz
  - Apparently, Isaac Newton developed his works theory on calculus during an outbreak of bubonic plague
  - William Shakespeare drafted some of his prominent plays like King Lear & Macbeth during pandemics
  
- q "Crises are part of life. Everybody has to face them, and it doesn't make any difference what the crisis is." Jack Nicklaus
  
- q A chance to reflect and review the way we do things and adopt improvements



# BUILDING RESILIENCE & PRODUCTIVITY—DC

## & AC

- q RESILIENCE: “ Capacity to recover quickly from difficulties. Ability to adjust easily to misfortune or change”
  
- q Resilience Building calls for increased focus on Risk Management rather than a post event or disaster/crisis management.
- q Emphasis should be on identifying and working to reduce vulnerability and impact of disaster before it happens rather than dealing with the shocks after the event has happened
- q Insurance specialist such as brokers and underwriters have a wealth of knowledge to support businesses to build and put in place robust risk management regimes
  
- q PRODUCTIVITY: “ How well a business converts inputs (capital, machines, Labour, materials etc.) into goods and services.
  - Working smart to reduce or avoid wasting resources
  - Putting in place measures to minimize threats that could hinder productivity, destruction of an organization’s assets
  - Buying insurance to protect productive assets is one way of ensuring a business sustains its productivity when disasters strikes.



# BUILDING RESILIENCE & PRODUCTIVITY—DC & AC

## Agility & adoptive capacity

- De-risked supply chain
- Ability to make changes and adopt to dynamic situations
- Product/service relevancy and diversification
- Flexible processes and systems to respond to changes in demand
- Robust cost and cashflow management

## Robust Risk Management

- Adopt a holistic approach and assess all significant risks the business is exposed to & work on mitigation measures
- Also consider and prepare unknown risks
- Embrace risk management culture across all aspects of the business



## Safety & Wellbeing of Employees

- Protection from illness & mental health
- Safe working environment
- Social protection for staff & dependents
- Remote working & flexible working hours
- Empowering and adaptive leadership

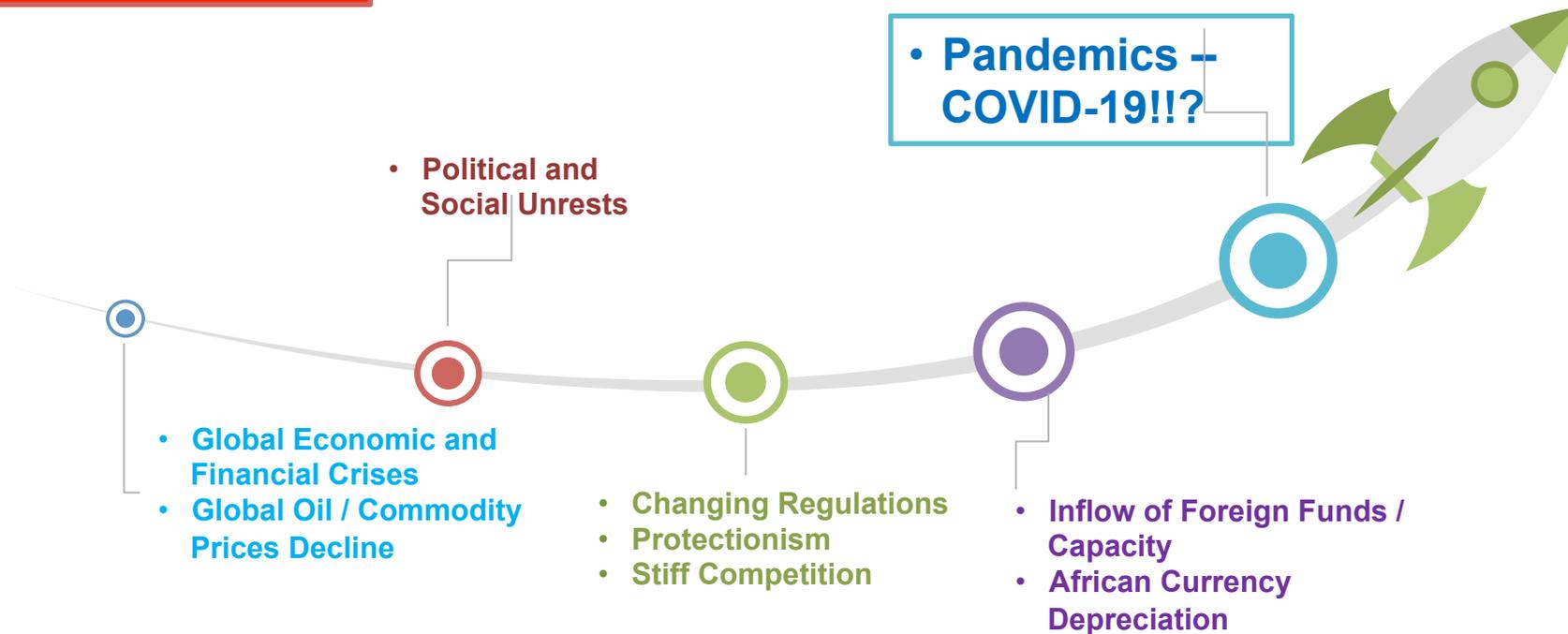
## Embrace & adopt digital technology

- Transform business processes & operations
- Remote access & remote working
- Online presence
- Distribution channels & payment systems



# Riding the Storm – Adaptation is Required

Un(ease)  
of Doing  
Business



"In a storm, you don't abandon ship just because you can't control the wind."

(St. Thomas More)



# INSURANCE SUPPORT DURING

## COVID-19

### § Suspension of Lapse clause in life policies.

- ü Collaboration with Regulators to suspend lapse clauses for up to 12 months
- ü Insured can postpone payment and the policy is not rendered inactive.
- ü Claims are honored irrespective of policy premium payment status

### § Extended terms for single premium mortgage products

- ü 12 months extension of term to match loan moratorium offered by banks at no extra cost

### § Insurers gave commitment to pay COVID-19 related death claims.

- ü With support from Regulator industry offered to settle claims.
- ü The display of empathy and sensitivity has endeared insurers to the public

### § Collaboration with various government agencies to offer Life covers to front line workers fighting COVID-19.

- ü Offer to pay capital sums to dependents of health workers in case of death
- ü Payment of daily hospitalization cash for infected health workers

### § Some insurers have introduced new Life insurance products.

- ü Individual life products with varied benefits for individuals contracting COVID-19 or any other infectious disease.
- ü This gives peace of mind to the public knowing there is availability of financial support in case of contracting the dreaded infectious disease.

### § Some insurers have expanded benefits under existing Life policies.

- ü Hospital daily cash, burial expenses for policy holders contracting COVID-19 at no extra cost



# INSURANCE SUPPORT DURING

## COVID-19

### q GENERAL INSURANCE

#### § Giving discount for silent risks.

- ü Industries which shut down or drastically scaled down operations remain protected at very low cost.

#### § Regulatory support to relax premium payment terms.

- ü Flexibility in the enforcement of “cash and carry” regulations

#### § Accommodation to pay all COVID-19 related medical insurance claims.

- ü With support from Regulator industry offered to settle claims despite policy exclusions for pandemics
- ü The display of empathy and sensitivity has endeared insurers to the public.
- ü The gesture gives great hope and peace of mind that is the hallmark of insurance

#### § Offering flexible and bespoke insurance covers with flexible terms for refund to businesses downgrading cover due to reduced economic activity.

- ü Transport companies with fleets stepping down covers from comprehensive to only MTP, Fire & theft.

#### § New insurance products & Extending existing Health Insurance policies offering cover for COVID-19.



# Businesses are still exposed to other





# Businesses are still exposed to other



**EAST AFRICA  
DEVASTATING FLOODS**



# Businesses are still exposed to other





# Businesses are still exposed to other





# Insurers Value Proposition– Risk

## Management

- Risk management is identification, assessment, and prioritization of risks followed by coordinated and economical application of resources to minimize, monitor, and control probability and/or impact of unfortunate events or to maximize realization of opportunities.

### DEFINITION

- Risk management's objective is to assure uncertainty does not deviate endeavour from the business goals.
- Process of analysing exposure to risk and determining how to best handle such exposure.

### PURPOSE

- RM aims to provide incident free and accident free environment for achieving objectives of the organization



# Insurers Value Proposition– Risk Management

## How to reduce risk?

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- After sources of risks are identified and measured, decision can be made as to how risk should be handled.
- The process used to systematically manage risk exposures is known as risk management
- Risk management is systematic process of understanding, evaluating and addressing these risks to maximise chances of objectives being achieved and ensuring organisations, individuals and communities are sustainable.
- An organization may use risk assumption, risk avoidance, risk retention, risk transfer, or any other strategy (or combination of strategies) in proper management of future events.



# Insurers Value Proposition– Risk

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## Management

### **Risk - Unpredictable Outcome:**

- Avoiding risks would result in no achievement, no progress and no reward.
  - It is not possible to control or manage 100% of risk,
  - Risk is inextricably linked to uncertainty.
  - It is when there is uncertainty about the occurrence of a loss that risk becomes important problem.
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### **Risk Definition**

- Possibility of an event occurring that could impact achievement of business objectives.
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# Insurers Value Proposition– Risk Management

## Pure Risk VS Speculative Risk

- Pure risk exists when there is uncertainty as to whether loss will occur.
  - ü Loss or No Loss Only
  - ü Related to events beyond risk-taker's control.
  - ü Insurable.

## Type of Risk

*Example: uncertainty of damage to property by fire or flood.*

- Speculative risk exists when there is uncertainty about event that could produce either profit or loss.
  - ü With Possible Gains or Losses
  - ü Usually not insurable.

*Example: Business ventures & investment decision or gambling transaction.*



# Insurers Value Proposition– Risk

## Risk Vs Hazards Management

§ **Hazards or threats** : Conditions which exist that creates or increases Perils (frequency and/or severity) of loss

§ **Physical Hazards/ Inherent Hazards**

Hazards inherent to organisation/  
Environmental conditions that affect  
frequency and/or severity of loss.

Example: Air flows or oxygen supplies which  
might intensify a fire

**Intangible Hazards  
Human Hazards**

Relate to people who are associated  
with organisation:

Example: Fire and smoke, Theft,

## Hazards Vs Perils

§ **Perils** : Event that exposes a business to loss (Fire, lightning, explosion) and against which insurance cover is purchased.

**Natural Perils**

Windstorm, Flood, Earthquake Volcanic  
eruption

**Human Perils**

Fire and smoke, Theft, Vandalism, War,  
Terrorism, Radioactive contamination



# Insurers Value Proposition– Risk Management

Peril Vs Loss

§ Loss : Decrease in value due to damage sustained by insured in consequence of occurrence of peril for which insurer in consideration of the premium, has undertaken to indemnify the insured.

## Total loss

Complete and absolute destruction of things insured

## Partial loss

Damage short of, or not amounting to total loss

## Loss Vs Damage

§ Damage: Monetary compensation that is awarded to the insured as compensation for loss due to breach of contract

## Compensatory Damages

Restore what Insured lost (Specific to Insurance)

## Nominal damages

## Punitive damages



# Insurers Value Proposition–Risk Mgt Techniques

## Avoidance/Elimination

Taking steps to remove hazard, engage in alternative activity, or end specific exposure.

Identify and is possible avoid by eliminating source

## Transfer

Consist of sifting Insurable risk to another party (Insurer) by means of insurance policy.



## Reduction

Consist of taking precautionary measures to reduce the likelihood of a loss, or to reduce the severity of a possible loss, for example, installing a security system.

## Acceptance

Deliberate non-insurance, and loss-sensitive plans where some, but not all, risks are consciously retained rather than transferred.



# Insurers Value Proposition–Risk Mgt Techniques

## Risk Control

Consist of evaluating potential losses and take action to reduce or eliminate such threats

## Risk Financing

Consists of setting aside of reserves for this type of risk, sharing risk with third party, obtaining insurance that effectively transfers risk to insurance company

Avoidance/Elimination  
Risk/Loss reduction

Acceptante/  
Retention/  
Self-nsurance

Transfer



# Insurers Value Proposition – Still

## Relevant

q INCASE WE HAVE FORGOTTEN THE FUNCTIONS ON INSURANCE!!

### § Provides certainty.

- ü Provides certainty of payment of loss caused by the insured peril
- ü The uncertainty of when and at what cost the loss will occur is passed on to the insurer.

### § Insurance provides protection

- ü Guarantees payment of an insured loss when it occurs thus relieves the business from suffering the loss. Does not stop the loss from happening but it compensates when there is loss or damage.

### § Pooling of Risks or Risk Sharing.

- ü The unfortunate few are compensated by the majority fortunate.
- ü Pooling of resources and sharing burdens is a strong tool for building resilience by supporting each other.

### § Insurance Provides Capital.

- ü Pooled funds are available for investment in other sectors of the economy
- ü Major source of funds for banks, real estate etc

### § Risk management to prevent or minimize losses.

- ü Losses or damage lead to economic waste. Insurers invest heavily in assisting business to manage and minimize/eliminate practices and incidents that can cause losses.

### § Supports and spurs economic growth and progress.

- ü By offering protection to businesses, the society, people from losses, compensation for loss of productive human resource and bread winners, there is strong foundation for high productivity that leads to economic growth

### § Helps to improve efficiency. Peace of mind, less worries & stress = highly productive



# Insurers Value Proposition – Still Relevant

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## Benefits of Insurance to Business

- Peace of mind,
- Reduced reserve requirements,
- Capital freed for investment,
- Indemnification,
- Reduction of uncertainty,
- Reduced cost of capital,
- Reduced credit risk,
- Loss control activities,
- Business and social stability



# East African Region Market Analysis

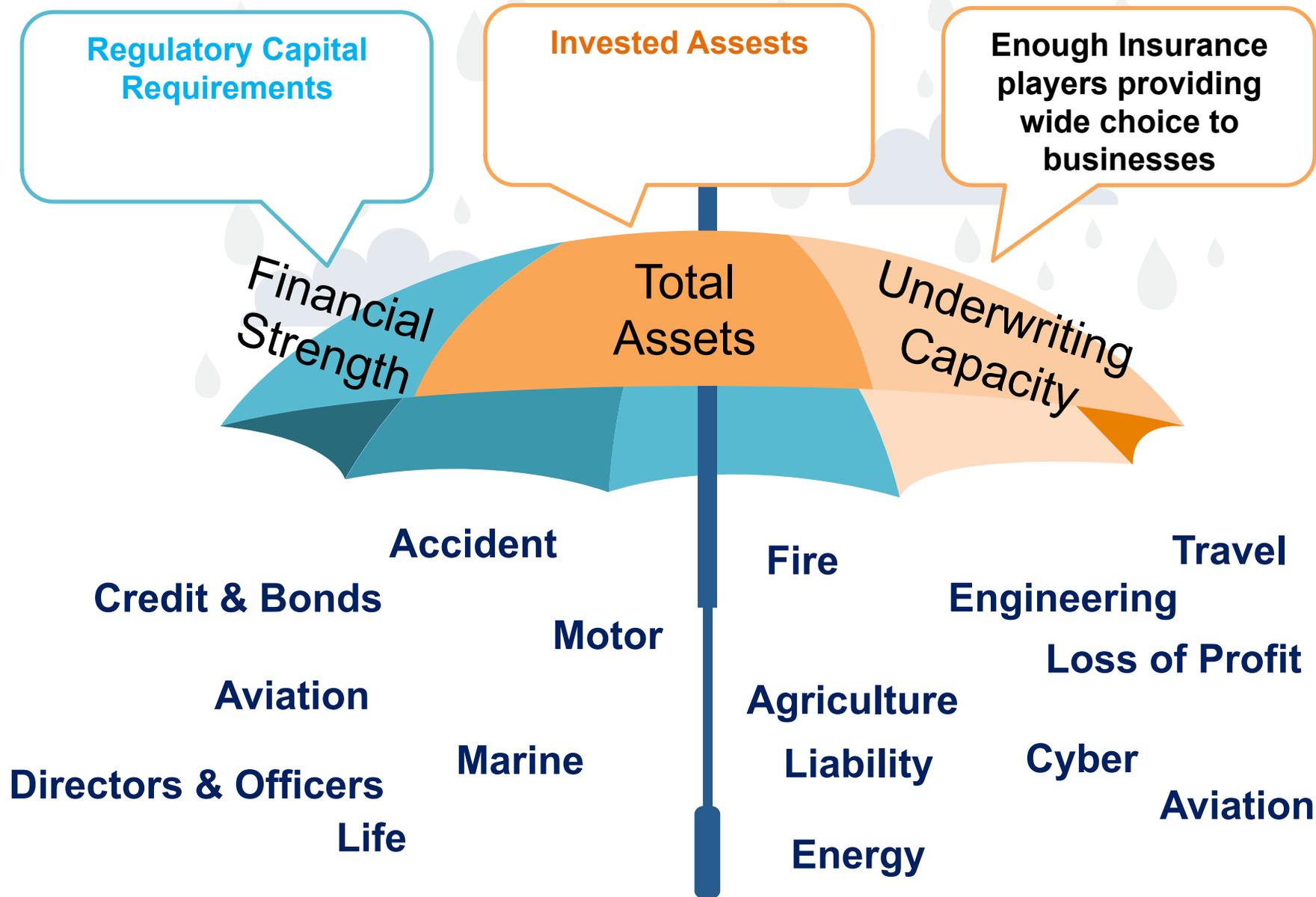


- Largest Regional Aviation Industry
- Discovery of Oil
- Intense Competitive Rivalry
- Gradual increase in Insurance penetration rate
- Consolidations, Mergers & Acquisitions
- Sluggish Economic Growth
- Changing & improving Regulatory Regimes
- Innovative Banking Industry
- Infrastructural Development
- Young population
- Insurance Fraud

What Did We Miss?



# Value Proposition – Still Relevant





## Regional Insurance Market Size – A

Market	Year	Total Market Insurance Premium	Total Market Reinsurance Premium
Burundi	2019	16,237,226	7,076,160
Djibouti	2019	20,424,833	7,362,490
Eritrea	2019	15,700,800	4,645,000
Ethiopia	2018/19	284,273,813	80,464,938
Kenya	2019	2,288,040,370	466,896,430
Malawi	2019	122,492,799	22,942,527
Tanzania	2019	307,512,222	126,820,311
Uganda	2019	261,838,305	83,263,057
Zambia	2019	127,337,378	61,265,106
Zimbabwe	2019	232,088,000	131,775,000
<b>Total</b>		<b>3,675,945,745</b>	<b>992,511,018</b>



# THE FALL OUT FROM COVID-19 – Lessons

## Learn LIFE INSURERS

### § The importance of charging adequate premium rates for life insurance.

- ü Need adequate premium to meet policy obligations
- ü The practice of granting huge premium discounts to out compete rivals is dangerous & not sustainable.
- ü Industry may not sustain likely spike in claims due to COVID-19 related deaths

### § The absolute for a robust and proper Reserving policy

- ü Regular computation of actuarial reserves to reflect likely increase in claims due to likely pandemic outbreaks

### § Disciplined application of maximum insurable age.

- ü Usual standard age is 60 to 65 years. Some underwriter going all the way to 80 years
- ü COVID-19 known to be more fatal among the elderly.

### § The need for proper risk assessment of proposed lives for insurance.

- ü COVID-19 has higher fatality rates among people with underlying conditions
- ü High free cover limits expose insurers by denying them proper risk assessment of insured lives

### § Insurers not to rely of exclusions as safety nets to manage their exposure for life insurance business.

- ü Cover is usually for death from natural causes or accident
- ü Covered events are the cause for buying insurance
- ü Life insurance is a financial safety net for the policy holder
- ü Insurer should ensure they have enough assets to cover their long-term exposures.



# THE FALL OUT FROM COVID-19 – Lessons

## GENERAL INSURERS Learned

§ Rising risk awareness and consciousness and the need for financial protection in difficult times

### § Large Protection Gap for Pandemic Risk.

- v COVID-19 could cause a USD12 trillion by 2021 according to Swiss Re. This is beyond the financial capabilities of the insurance sector.
- v The insurance sector must ensure that it remains a valuable partner to help mitigate the effects of pandemic risk
- v The need for insurance solutions to cover pandemics. Use of Pools and collaboration with governments could provide sustainable solutions

### § The absolute need for Contract Certainty.

- v Business interruption policies providing coverage with extensions for infectious diseases have been contentious.
- v Lack of specific exclusions for pandemics some insurance policies causing some degree of ambiguity
- v Exposure to reputation risk

### § The need to focus on the financial health of the Insurance industry.

- v Return to basic underwriting professional standards that guarantee sustainability by ensuring the industry relies on underwriting surplus for survival and not Investment income.
- v Topline is expected to drop as well as investment income.
- v Proper reserving and robust management of statistics and data on risk exposures



# THE FALL OUT FROM COVID-19 – Lessons

§ **Learn** Highlighted the importance of the need insurers to have strong ERM frameworks to be able to properly identify, measure and mitigate the risk of pandemic outbreak on their operations.

- v Should be dynamic enough to rapidly respond to the evolving risk environment

§ Take advantage of the enabling regulatory environment to cure the chronic problem of premium collection and the burden of old debt.

- v IRA Kenya reported that in 2019, premium owed by intermediaries was 15.6% (about USD330.8m) of the gross written premium of USD2.12billion
- v The level of outstanding premium makes it difficult for insurers to be able to meet their contractual obligations when claims occur
- v Uncollected premium is a threat to the survival of insurance companies

§ Design new products that resonate with the general population.

- v This is the only way that will enable us increase the low insurance penetration rate in Uganda, the region and rest of Africa

§ Insurance **MUST** continue to transform and adopt the use of digital technology to expand its ability to access to new markets and for operational efficiency, sustainability and future survival.

- v We should watch out for the elevated exposure to Cyber risks



# New Technologies – Game Changers

Genomics



IoT



Robotics



Cyber risk



Cognitive systems



Telemedicine



Telematics



Drones



Blockchain



Autonomous vehicles

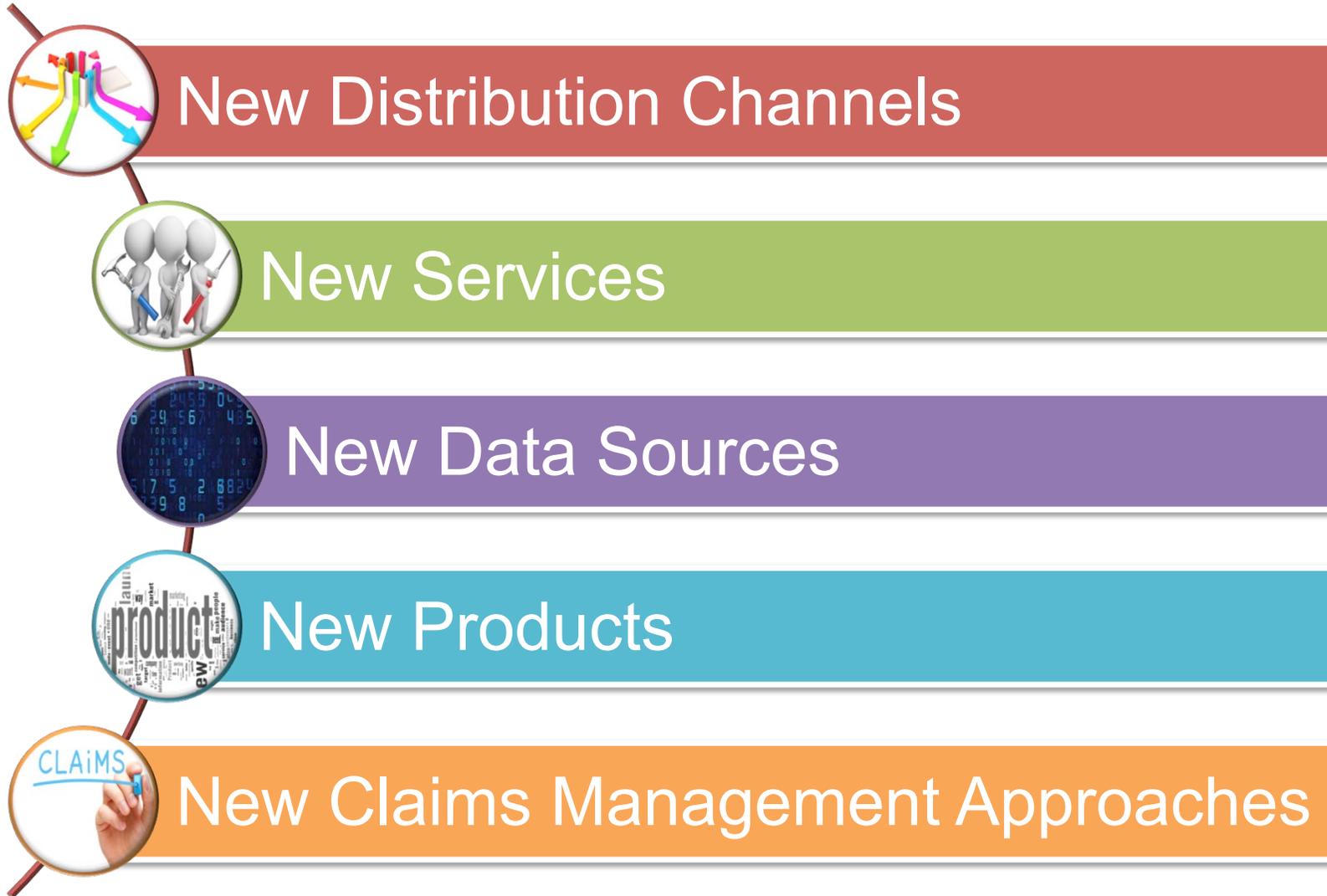


Food





# Digital Transformation – We Cannot Escape



# Emerging Issue – Technological Disruption



## 1. Personalized Internet Services

- Provide the consumer with a **portfolio of services optimized**, based on their profile (Big Data - Data Science)

## 2. Result Oriented Economy

- Changing the competition for the sale of products and services towards the competition for the **sale of measurable results important for the customer**

## 3. (R)evolution of Platforms

- **Digital platforms** are becoming the **preferred tools** to build the new value proposition

## 4. Smart Company

- **Software intelligence** will be integrated into every aspect of the organization / **Self-Driven Finance**.

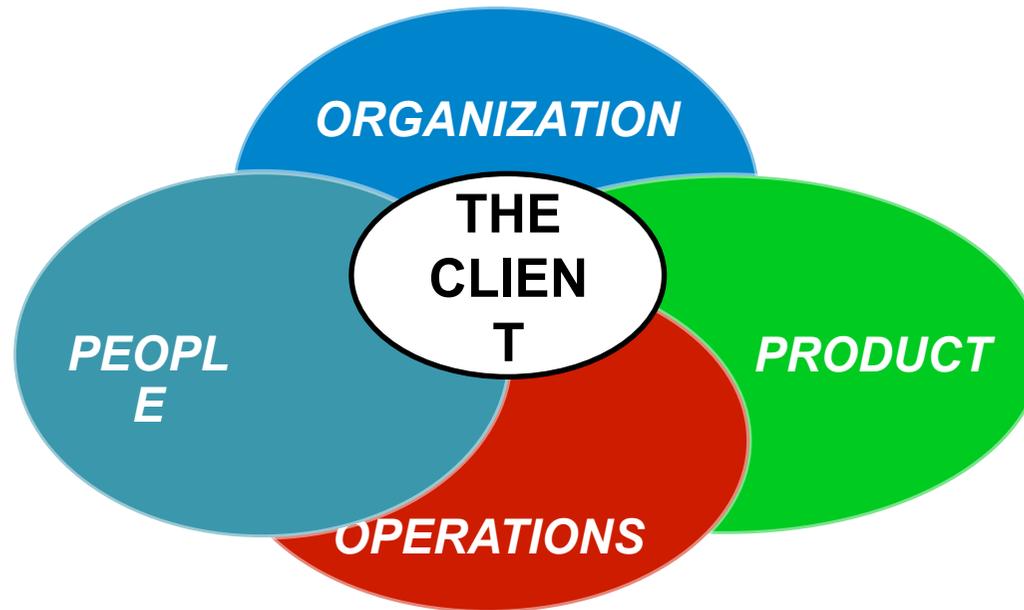
## 5. The Reinvented Workforce

- Collaboration between **humans and machines**



# Customer – Centre of Transformation

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# Customer – Who Owns Him/Her?

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**THE  
CLIENT**



# Customized Offers – The Way To Go

Product  
+  
Coverag  
e

## Traditional Offers

- Insurer designs a PRODUCT
- Insured chooses product TYPE and COVERAGES
- Insurer calculates PREMIUMS

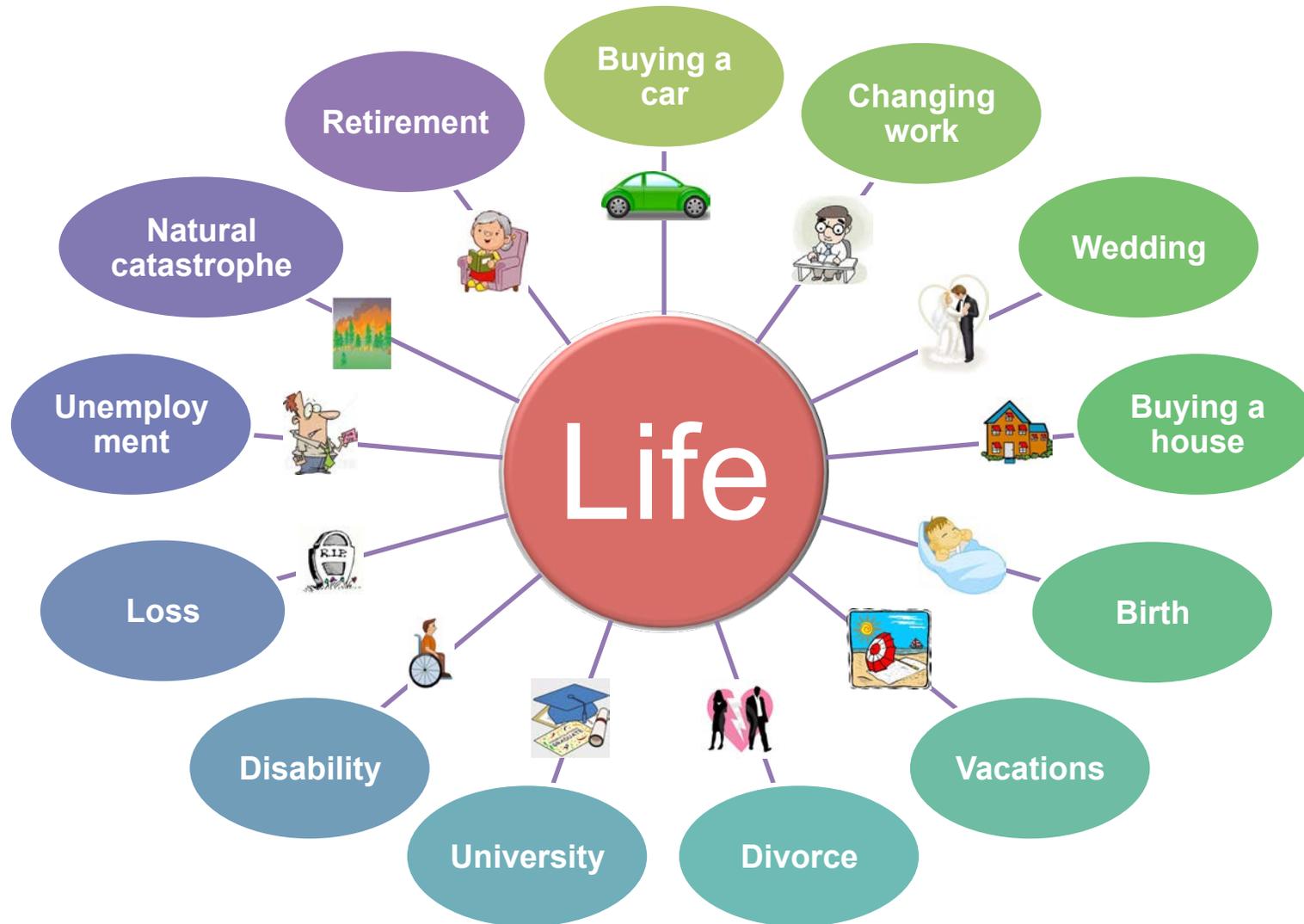
Product  
+  
\$

## Innovative Offers

- Insured decides NEEDS, PRODUCT type and PREMIUMS
- Insurer offers DIFFERENT ALTERNATIVES (products and coverages) within the MAXIMUM PRICE (budget) established by the client or MAXIMUM LOSS



# Life Events – Shaping Product Design





# Insurer? – Not What We Used To Know

## CURRENT ASSETS

Capital  
Offices  
Actuarial Knowledge  
Products / Quotation  
Underwriters  
Doctors  
Accountants  
Claims Managers  
Servers  
Distribution Channels  
Brokers  
Reputation

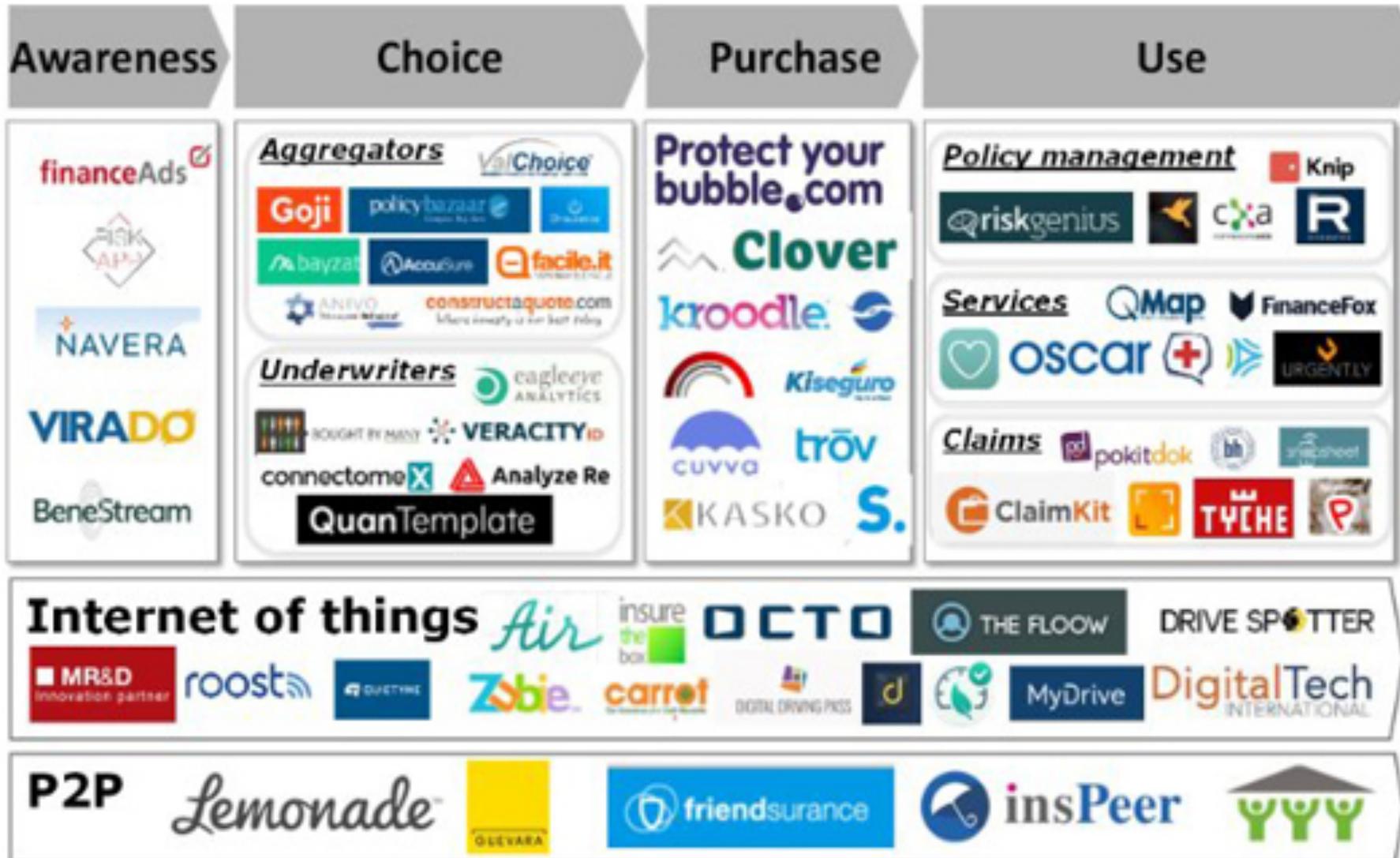


## NEXT ASSETS

Crowdfunding / FinTech  
Smartphones / Computers  
Artificial Intelligence  
Preference / Payment  
Algorithms  
Robots  
Blockchain  
Drones / Parametric  
Cloud  
Client Database  
Electronic Aggregators  
Social Media



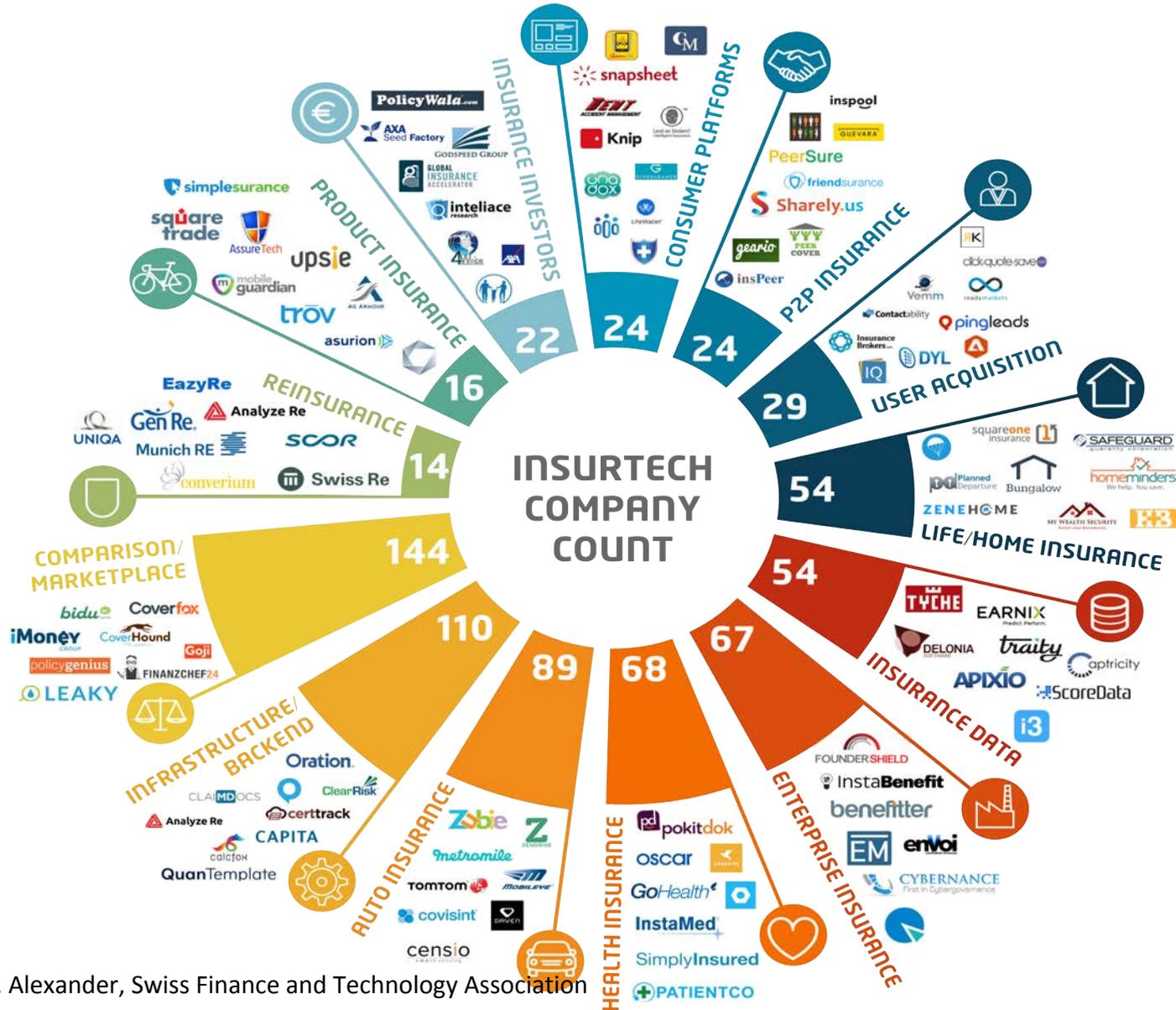
# InsurTech – Africa Again ... Left Behind?



Source: Insurance Thought



# InsurTech – Africa ... Must Follow



Source: Hayman, Alexander, Swiss Finance and Technology Association



# Tomorrow's Insurer? – Which One?

**CURRENT  
PLAYERS**

To Be Replaced  
By

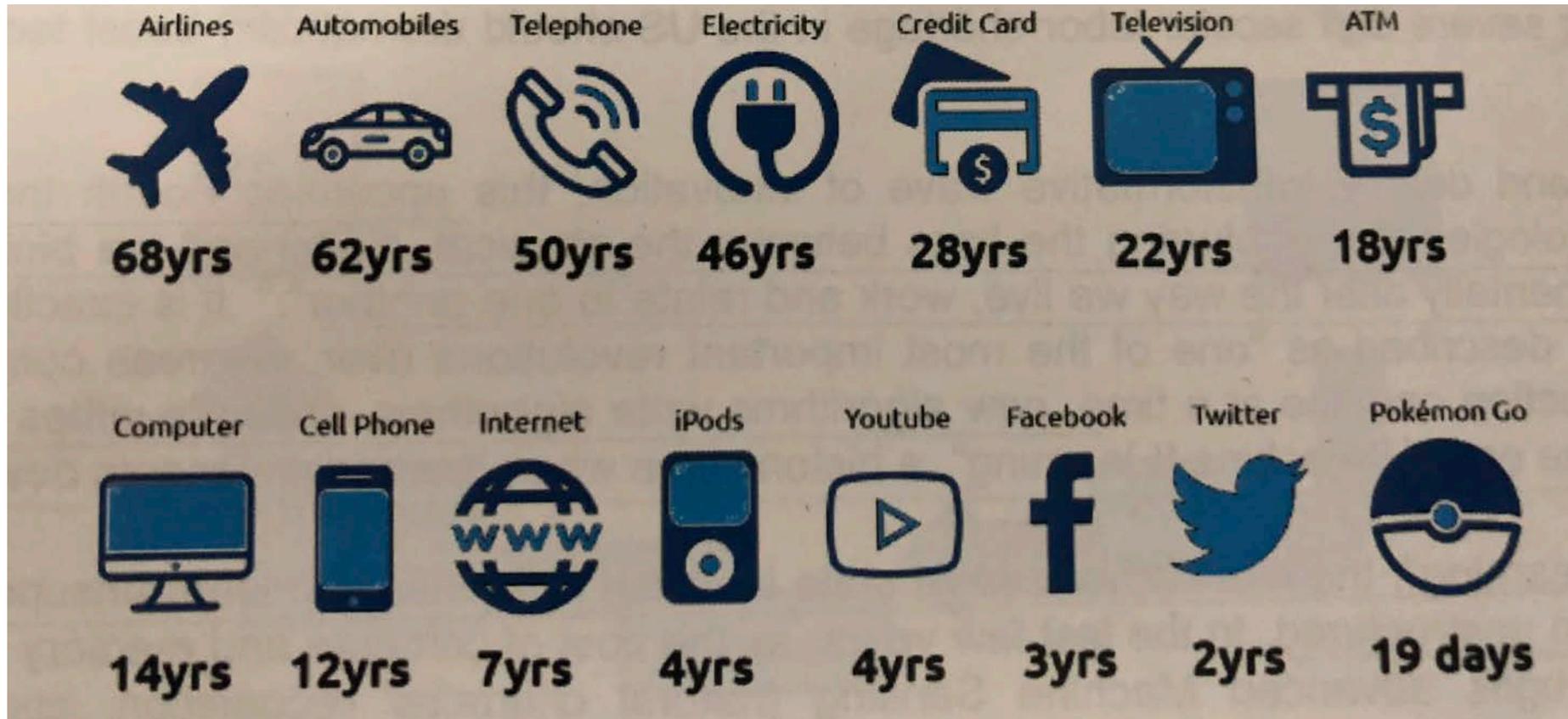
**NEW  
PLAYERS**



# InsurTech – Things Can Go Really

## Faster!

Number of years it took for each product to gain 50 million users



Source: Hayman, Alexander, Swiss Finance and Technology Association

# Conclusions ... an evolving situation!!

