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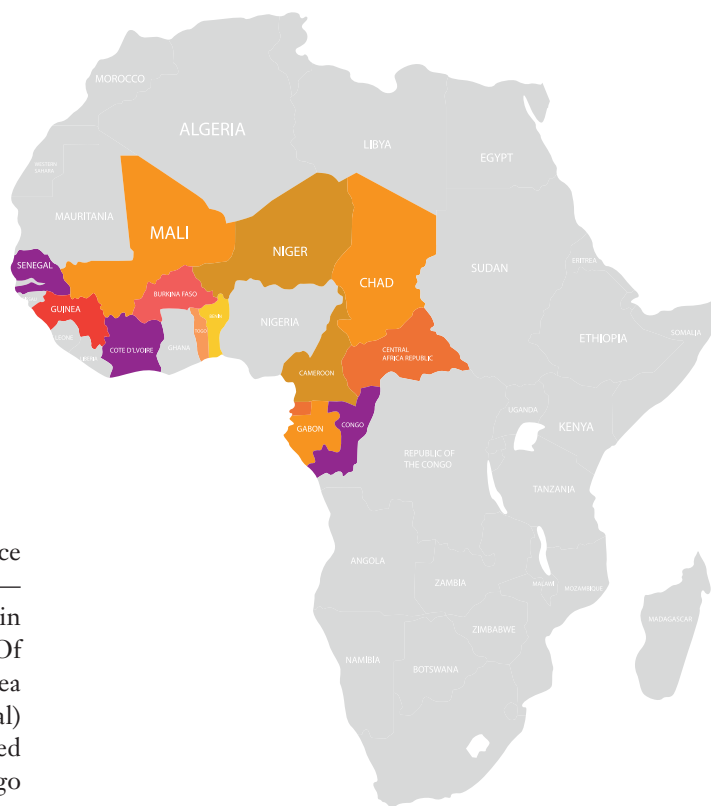
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The CIMA Market: Insurance in French- Speaking Sub-Saharan Africa: Market Overview

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CIMA Treaty Countries

GOVERNANCE

The treaty for CIMA, Inter-African Conference on Insurance Markets—*Conférence Interafricaine des Marchés d'Assurances*—was signed by 14 Sub-Saharan countries on July 10, 1992 in Yaoundé (Cameroon) and came into force on Jan.1, 1995. Of the 14 signing countries, 12 are French speaking,¹ one (Guinea Bissau) is Portuguese speaking and one (Guinea Equatorial) is Spanish speaking. Since creation, two countries have joined with an observer status—Democratic Republic of Congo (DRC) and Guinea.

Table 1

| CIMA | | GDP per capita (2016 / World Bank) in US Dollars | SMIG or minimum monthly salary (in CFA) | SMIG in euro | Change GDP | Life Premiums (in millions of F CFA) |
|-----------------------------------|--------------------------|--|---|--------------|------------|--|
| CEMAC (Central African Countries) | Cameroon | 1,033 | 36,270 XAF | 55 € | 5.80% | 51,552 |
| | Central African Republic | 382 | 26,735 XAF | 41 € | 0.80% | 0 |
| | Congo | 1,528 | 85,000 XAF | 130 € | 2.32% | 5,564 |
| | Gabon | 7,179 | 90,000 XAF | 137 € | 4.10% | 17,563 |
| | Guinée Equat. | 8,333 | 150,000 XAF | 229 € | 0.80% | |
| | Chad | 664 | 59,900 XAF | 91 € | 1.77% | 1,194 |
| UMEOA (West African Countries) | Benin | 789 | 40,000 XOF | 61 € | 4.96% | 14,095 |
| | Burkina Faso | 650 | 33,139 XOF | 51 € | 4.03% | 19,289 |
| | Ivory Coast | 1,526 | 60,000 XOF | 91 € | 8.54% | 119,876 |
| | Guinée Bissau | 620 | Not available | | | |
| | Mali | 781 | 28,460 XOF | 43 € | 5.96% | 6,866 |
| | Niger | 363 | 30,047 XOF | 46 € | 3.55% | 5,298 |
| | Sénégal | 958 | 47,975 XOF | 73 € | 6.50% | 34,278 |
| | Togo | 578 | 35,000 XOF | 53 € | 5.40% | 19,917 |
| CIMA | Mean | 1,813 | | | | 295,492 |
| | Median | 785 | | | | |

In the CIMA Treaty, member states committed to:

- strengthening co-operation between member states by setting up an extended and integrated insurance market;
- creating financially sound companies to enable them to underwrite large risks nationally or regionally;
- boosting national and regional economic growth through investments in assets covering insurance liabilities;
- providing training for management and technicians working in the insurance industry;
- creating common structures in charge of the study and the implementation of guidelines and decisions;
- creating a common regional supervisor for harmonized supervision (both off-site monitoring and on-site inspection).

The CIMA treaty also created a regional reinsurer, CICA-Re, based in Lomé, Togo, and the regional International Institute of Insurance (IIA), based in Yaoundé, Cameroon. These two organizations responded with the willingness to regionally reinsure large risks and to provide a common regional professional insurance training.

The two organizations however, are not competing on an entirely level field basis:

- CICA-Re, on one hand, benefits from compulsory cession, cession légale, amounting to 10 percent of total amount of ceded premiums; more importantly, it is a member of the Committee of Experts and of the Regional Commission of Insurance Supervision, *Commission Regionale du Contrôle des Assurances* (RCIS - CRCA); further to this, six other members of CRCA are also (by rotation) CICA-Re Board Members;
- IIA is fully funded by compulsory fees paid by insurers. Some note that such compulsory funding is not available for other forms of training that could perhaps be more efficient.

The overall institutional organisation is as follows:

- the Council of Ministers i.e., the highest decision making body of the Conference;
- the Committee of Experts appointed by the Council of Ministers;
- the Regional Commission of Insurance Supervisors (RCIS – CRCA); 11 members, with six being the chief managers of the national insurance department, the managing

Market Indicators for 2015

| Avg P/C | Change premium income | Non Life Premiums (in millions of F CFA) | Avg P/C | Change premium income | Life insurance penetration | Non life insurance penetration | Insurance penetration |
|---------|-----------------------|--|---------|-----------------------|----------------------------|--------------------------------|-----------------------|
| 6,444 | 16.2% | 130,528 | 8,158 | 11.6% | 0.30% | 0.74% | 1.04% |
| | -97.20% | 3,157 | 1,579 | 35.00% | 0.00% | 0.33% | 0.33% |
| 2,782 | 11.30% | 70,189 | 14,038 | 30.10% | 0.11% | 1.66% | 1.77% |
| 5,854 | -3.10% | 101,283 | 16,881 | -2.00% | 0.20% | 1.18% | 1.38% |
| | | 1,557 | 779 | | | | |
| 1,194 | 41.20% | 13,254 | 6,627 | 4.10% | 0.02% | 0.21% | 0.23% |
| 2,014 | 14.70% | 32,608 | 4,658 | 11.40% | 0.27% | 0.63% | 0.90% |
| 2,756 | 9.00% | 38,624 | 4,828 | 17.00% | 0.29% | 0.58% | 0.87% |
| 11,988 | 7.70% | 162,609 | 9,565 | 15.80% | 0.65% | 0.87% | 1.52% |
| | | | | | | | |
| 2,289 | -12.20% | 28,301 | 3,538 | 12.50% | 0.09% | 0.36% | 0.45% |
| 2,649 | 1.70% | 24,105 | 4,018 | 12.90% | 0.12% | 0.57% | 0.69% |
| 4,285 | 28.60% | 85,906 | 5,053 | 15.90% | 0.42% | 1.06% | 1.48% |
| 3,983 | 0.30% | 29,493 | 4,213 | 9.40% | 0.80% | 1.13% | 1.93% |
| 5,277 | | 721,614 | 7,006 | | 0.27% | 0.78% | 1.05% |
| | | | | | 0.24% | 0.69% | 0.97% |



- director of CICA Re, a representative of the Central Bank of West Africa (BCEAO) & Central Bank of Central Africa (BEAC), an expert in insurance supervision and international cooperation (in practice, a staff from the French supervisor), a legal advisor, another expert advisor nominated by the Council of Ministers; ex-officio members are the president of the FANAF (the Federation of Insurers of National Law), the managing director of the International Institute of Insurance (IIA) and the Secretary General of the Secretariat;
- the Secretariat of the Conference i.e., the permanent section of the regional supervisor;
- the Secretary General i.e., the “chief” of the Secretariat of the Conference, appointed for five years by Council of Ministers

- the national insurance departments, Directions Nationales des Assurances (DNA), being the liaison between country and RCIS – CRCA

DYNAMICS

In the 14 member states having ratified the CIMA treaty, 159 insurers are operating² as per following break-down:

| | |
|---------------------|-----|
| Non-life insurers : | 104 |
| Life insurers : | 55 |

The insurance penetration is 1.1 percent and insurance density 10.10 USD. However this latter figure should be combined with the low GDP per capita in these countries which varies between 382 USD and 8,333 USD (see Table 1).

Most of the distribution channels in the CIMA region are identical to those in developed countries: brokers for industrial and corporate risks, tied agents for ordinary risks, bancassurance for credit life risks and modest—but increasing—sales of savings products for the emerging middle class.

MICROINSURANCE

Despite a regulatory framework for microinsurance existing since 2012, microinsurance has not taken off, in contrast to the interest seen in English-speaking countries in the region.

There are many plausible explanations:

- New regulation considers microinsurance as a new line of business however most conventional insurers may already be providing microinsurance products. As per regulations, existing insurers are invited to submit to the regional supervisor an application file for extension of licence. Some conventional insurers may have failed to do so, so far, and all microinsurance thus may not have been fully identified yet.
- The existing conventional insurers do not have the free surplus or their existing premium income is not yet generating sufficient return on investment to convince its shareholders to invest into new emerging markets.
- The uncertainty and volatility of premium income during the start-up years won't set off the expenses that insurers are used to in conventional business.
- The return on investment may be lower and the pay-back period may be long given the investments in technology and human resources.
- Insurers do not see the importance of investing today in low-income earners who might become clients of their conventional insurance business tomorrow.

ACTUARIAL PROFESSION

The actuarial profession has had little development as it is relatively unknown and due to a dominating position of the external auditor, called the “*commissaire aux comptes*.”

The title of actuary is also used without being a member of full member association of the International Actuarial Association—an undergraduate (or graduate) degree in actuarial sciences is considered being an “actuary.”

As of today the existing insurance regulatory framework, *Code des Assurances*, does not require insurers to have qualified actuaries sign off on actuarial memorandums for new or modified products, to provide a yearly financial condition report or an actuarial report to the regulator and/or board. Also, the *Code des Assurances*, besides other gaps, is neither compliant to this respect with the International Association of Insurance Supervisors (IAIS) issued Insurance Core Principles (ICP) 7 and 8 which require insurers to provide four internal control functions—ERM, actuarial, compliance, and internal audit.

Despite this missing support and encouragement from regulators, there is one full member association, the Institute of Actuaries in Ivory Coast, and there are associate member associations in Benin, Senegal and Togo, of the International

Actuarial Association. In fact this region has more fully qualified actuaries (members of full member associations such as SOA, IFoA, IA|BE, IA) abroad rather than in the region itself. We can only hope that soon the regulatory framework will move to adapt IAIS ICPs, risk-based capital and risk-based supervision which will create more opportunities for the actuarial profession. Or should we repeat what the new Secretary General of the IAIS recently told during the yearly assembly of the African Insurance Organisation: risk based supervision is only possible if actuarial skills are available. ■



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ENDNOTES

- 1 Cameroon is also English speaking; most of civil service however is French speaking.
- 2 Annual report 2015 from CIMA



Save the Date

