

# Insurance market in Africa

Outcomes from the **Long-Term Finance** survey

*The statistical data processing of the latest Long-Term Finance survey provides interesting benchmarks for the insurance market in Africa.*

*Preliminary results show that:*

- *Insurance gross premiums in African countries increased on average by an annual nominal rate of 8.9% during the 2013-2017 period, outpacing economic growth. Meanwhile, given the inflation level over the same period (8.7%), annual real gross premium growth is very low ;*
- *Insurance market activity has seen rapid growth in life insurance business, with gross premium growth averaging 16.8% per annum, almost three times as fast as for non-life insurance business which posted 6.2% annual growth rate;*
- *Life insurance industry represents on average only one-third of total insurance business in African countries, a relatively modest proportion compared to other global markets ;*
- *The average penetration rate across African countries was steady during the period and estimated at 1.8% of Gross Domestic Product GDP, particularly low in both life (0.9) and non-life (0.9).*

The recent Long-Term Finance statistical survey devoted a specific module to the activity of the insurances companies in Africa. It provided a relatively interesting coverage of the insurance sector in African economies, as a minimum common set of indicators is available for almost forty countries. The preliminary analysis presented in the following paragraphs favoured a reading based on average data of country figures expressed in local currency, contrary to a usual approach that involves converting data into a single currency (quite often the US dollar).

*Insurance business in South Africa alone accounts for about three quarters of the cumulative volume of insurance business and 87.2% of the total life business in Africa.*

Indeed, the disadvantage of such an approach, based on an aggregation of data using a common dollar conversion, lies in the fact that, given the large cumulative share of a very small number of countries in the total volume (cited in order, South Africa, Morocco, Kenya, Egypt and Tunisia), the analysis is significantly skewed or reflects a biased picture of insurance markets in Africa.

In fact, it is important to underline that, by proceeding in this way, the volume of insurance business in **South Africa** alone accounts for about **three quarters** of the cumulative volume of insurance business in Africa, in particular **87.2%** of the total volume in the life business and almost **half** of the total volume carried out in the life insurance segment. Moreover, cumulated premium volume in **South Africa** and **Morocco** accounts for about **ninety percent** of the total cumulative volume of insurance business in Africa.

**Robust growth, but trimmed by inflation**

Concretely, statistical compilations of the data collected show that insurance premiums increased on average by **8.9%** per year and per country during the 2013-2017 period, outpacing economic growth (3.3%). Insurance market activity was much robust in life insurance business, with gross premium growth averaging **16.8%** per annum, three times as fast as for non-life insurance business which posted **6.2%** annual growth rate.

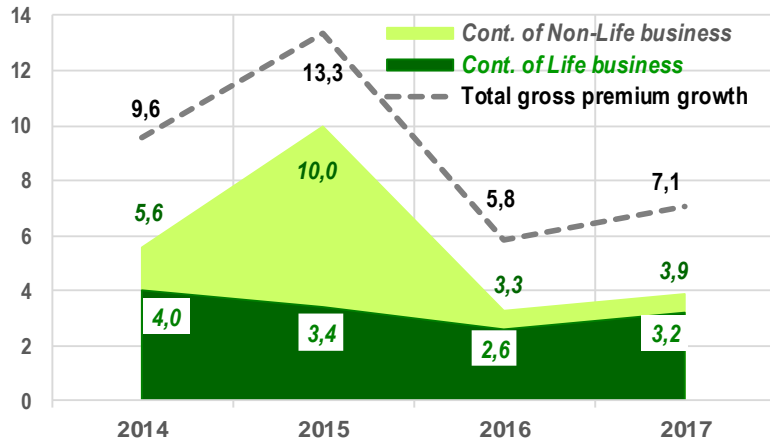
Figure 1. **Insurance premium growth (2013-2017, in %)**  
*Life premium (horizontal axis) vs Non-life premium (vertical axis)*



The average growth in gross premiums by country was particularly remarkable during 2015, peaking at 13.3% due to a 10 percentage points contribution from the non-life segment and driven by double-digit growth in more than half of the countries (specifically in Nigeria +85%, Seychelles +82%, Ethiopia +30%, Ghana +30%).

The growth rate recorded in 2015 is more of a technical correction, since it follows a moderate growth in 2014 as many African markets were affected by lower international commodity prices.

Figure 2. **Insurance premium growth (%)**  
*(Annual average of country data)*



**During the 2013-2017 period, insurance market activity was much robust in life insurance business, where gross premium growth averaged 16.8% per annum.**

Meanwhile, given the inflation level over the same period (8.7%), annual **real gross premium growth** is very low. In real terms, insurance premium growth was mixed among African countries during the period 2013-2017. On the other

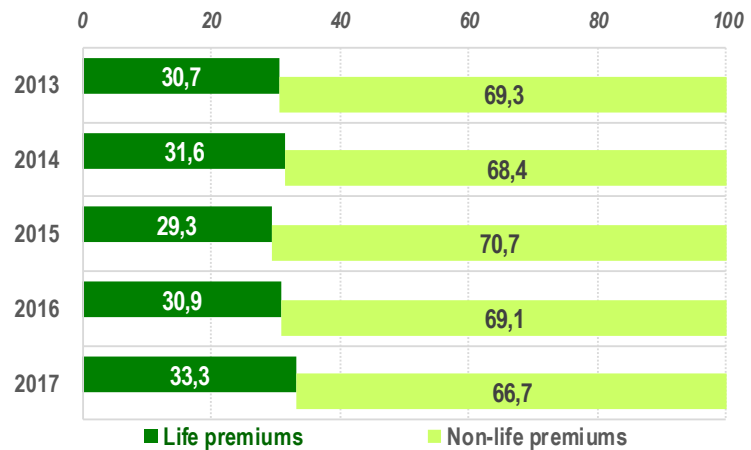
hand, we get a different story when data are expressed in US dollar, since premiums declined due to widespread **exchange rate depreciation** against the greenback.

### **Life insurance is gaining ground**

The insurance market structure in African countries remains dominated by the general insurance sector which accounts for more than two thirds of the total volume of business and only the remaining **third** is attributable to the life insurance business. Ultimately, a major section of the insurance activity continue to come from compulsory lines of business, primarily motor and health.

Figure 3. **Insurance market structure** (%)

(Annual average of country data)



There is a broad consensus on the role of insurers as providers of funds for long-term investment in the real economy. In particular, life insurance is a valuable source for long-term funding opportunities. Compared to other countries outside the continent, the average share of gross life insurance premiums in African countries estimated at **31.2%** during 2013-2017 is relatively low (for example, 50.7% in OECD countries, 63% in Brazil and 60.7% in Malaysia).

It should be noted however that, here again, an aggregated valuation in US \$ provides another picture of the situation and results in totally reversed proportions giving the share of life insurance at 69.5% while that of non-life insurance business is 30.5%. This is mainly explained by the relatively high weight of life insurance industry in the South African insurance market.

Table.1. **Share of life insurance** (2010-2016, in %)

<b>OECD economies</b>	50,7	<b>Peru</b>	47,4
United Kingdom	72,6	<b>Hong Kong</b>	86,4
France	56,3	<b>India</b>	81,8
Germany	38,3	<b>Indonesia</b>	69,3
<b>Brazil</b>	63,0	<b>Singapore</b>	68,3
<b>Mexico</b>	46,1	<b>Malaysia</b>	60,7

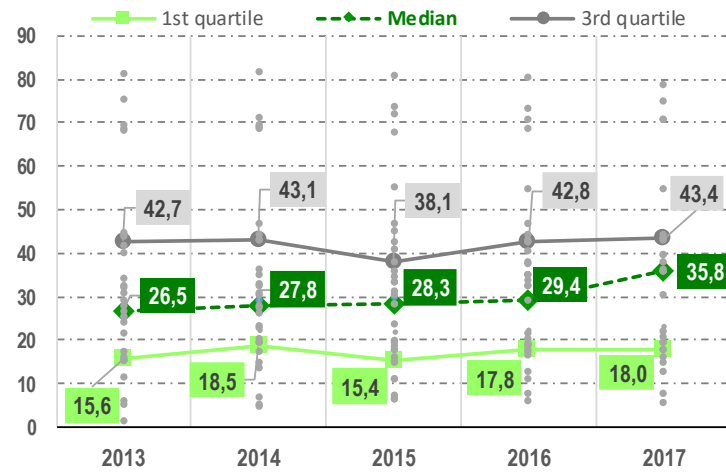
Nevertheless, and even though the structure is almost constant on average during the period under review, the share of life insurance seems to increase slightly when one observes on figure 4 the evolution of the median of shares by country which progressed almost continuously from 26.5% during 2013 to nearly 36% for 2017 (ie in half of the countries surveyed, life insurance was more than 35.8% of the market business for 2017, while on the other hand, the share of life insurance has been below 26.5% in half of the countries during 2013).

This configuration is likely to be explained by both historical and cultural factors, as the few African countries with more than 60% for life insurance share are mostly English-speaking and located in Southern Africa (South Africa, Namibia,

**Share of life insurance premiums in African countries is estimated on average at a relatively low level of 31.2%.**

Lesotho, Botswana) or in East Africa (Zimbabwe, Mauritius). Meanwhile, rapidly growing middle class in many African countries would open up further opportunities for protection, savings and health, also rising life expectancy would spur gradually demand for retirement, long-term care and other longevity products.

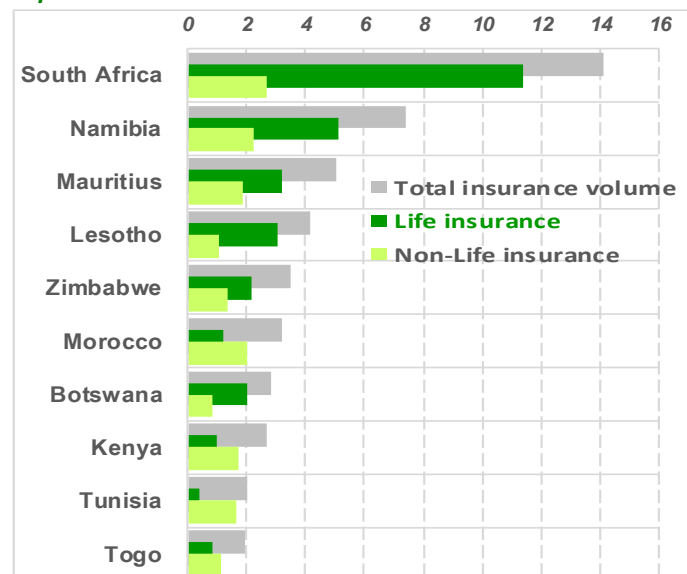
Figure 4. **Share of life-insurance (%)**  
(Annual distribution of country data)



**Insurance penetration well below the world average**

In the analysis of the degree of development of the insurance market of a given country, it is usually referred to the insurance penetration rate, calculated by expressing the total insurance premiums as a percentage of gross domestic product (GDP), which reflects the extent to which the insurance sector contributes to the national economy. Although it does not give precise indications on the dynamics of this insurance market, as such, the penetration rate provides a good quantitative basis for international comparison between different countries or regions.

Figure 5. **Insurance penetration (2013-2017, in % of GDP)**  
**Top 10 countries**



**Average insurance penetration rate in African countries was almost constant over 2013-2017 at 1.8%.**

The LTF survey shows that average insurance penetration in Africa is almost constant over 2013-2017 at **1.8%**, but lower than world average in both life (**0.9%**) and non-life business (**0.9%**). The distribution of penetration rates between countries is marked by a large statistical dispersion, since the median of country rates is displayed at only 1%, which means that half of the countries surveyed have a penetration rate lower than this level.

The calculation of the penetration rate on the basis of aggregated data expressed in US \$ gives different results, pointing the overall penetration rate for the continent at 3.2% of GDP and that of life insurance at 2.3%.

Otherwise, not surprisingly, countries with a historical advantage and tradition in the life insurance business are at the top of the ranking in terms of insurance penetration (respectively, South Africa 14.1%, Namibia 7.4%, Mauritius 5.0%, Lesotho 4.1% and Zimbabwe 3.5%).

Table.2. **Insurance penetration rate** (2013-2016, in %)

Region / Country	Total	Life	Non life
<b>Africa</b> (average of country rates)	<b>1.8</b>	<b>0.9</b>	0.9
<b>Africa</b> (total, aggregation in US\$)	<b>3.2</b>	<b>2.3</b>	1.0
<b>OECD economies</b>	8,6	4,6	4,3
<i>United States</i>	11,0	4,6	6,5
<i>United Kingdom</i>	10,4	7,4	3,1
<i>France</i>	9,6	6,1	3,5
<i>Germany</i>	6,4	2,9	3,5
<i>Portugal</i>	6,9	4,9	2,0
<b>Non OECD economies</b>			
<i>Brazil</i>	3,0	1,9	1,1
<i>Colombia</i>	2,7	1,3	1,4
<i>Peru</i>	1,8	0,8	0,9
<i>Russia</i>	1,3	0,2	1,0
<i>Malaysia</i>	4,8	3,1	1,7
<i>India</i>	3,1	2,4	0,7
<i>Hong Kong, China</i>	14,9	13,5	1,4

**Vigorous population increases, rising incomes and low insurance penetration lets predict a robust growth potential for insurance industry in African markets.**

In light of the elements reviewed above, Africa reveals itself as a promising region for insurance activity that needs institutional enhancement through enabling policies and focused investments by stakeholders. Significant population increases, rapidly rising incomes and low insurance penetration are all factors conducive for a robust growth potential prospect in insurance industry.

However, economic and political instability is still a high risk factor in sustaining this growth, as many African markets are dependent on commodity exports and natural resources, which have been volatile in recent years. Growth is also affected by negative customer perception, due to low product awareness and unhealthy competition. Nevertheless, the new generation of consumers, even in rural areas, familiar with digital technologies is contributing to growth.

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**Mustapha BOUZAIENE**

*Economist / Statistician Expert*  
AfDB – Long-Term Finance initiative