

REINSURANCE INDUSTRY CHALLENGES IN AFRICA

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CHALLENGES FACING THE AFRICAN CONTINENT

The social, political and economic challenges facing the African Continent over the last five or so decades are well documented including the vexing question why Africa lost out completely from the 1970 especially when comparing to Asia. These two continents were at the same economic levels in the 1950s and 60s, and some countries in Africa were ahead of some in Asia. However, world attention is now focused on the Continent. The Commission for Africa had this to say in its March 2005 Report. **“African poverty and stagnation is the greatest tragedy of our time”**. The desperate situation on the Continent characterized by abject poverty by half of the population living on less than US\$1 a day, has continued to prick the consciences of people in the rich nations who are now being morally persuaded to come to the aid of the Continent in a new kind of development partnership based on mutual respect and solidarity. The African people themselves are also attempting to address the Continent’s problems through home grown economic development initiatives such as the New Partnership for African Development (NEPAD). The following are being presented as the necessary key ingredients for the recovery of the

African Continent thereby ending the economic stagnation and poverty.

(i) Building Effective States and Enhancing Good Governance:

There is need to improve effectiveness in tackling the socio-economic woes and accountability by African states through the full participation of ordinary people in the governance processes. Institutions such as the judiciary, legislature, the media and civil society organizations need to be knowledgeable and strengthened in order to bring the necessary checks and balances in the fledgling democracies. This extends beyond national boundaries, to involve others who can add value, as Mr. Jay Naidoo the Chairman of the Development Bank of South Africa put it on June 9, 2005 in Harare, Zimbabwe, “The formation of the African Union, and the launching of the NEPAD initiative and programme have been particularly important steps in Africa’s response to a new paradigm and development stagnation. African countries are now paying unprecedented attention to one another in terms of trade, investment, transport, peace and governance.”

(ii) Establishing Peace and Security

Violent conflict is still the biggest challenge to development on the African Continent. The African

Continent needs to develop the capacity to prevent and manage conflicts within each country and between neighbouring countries. Corruption and poverty are very often the very roots of conflicts and if these are properly addressed, the Continent will start to enjoy a new phase of peace and stability.

(iii) Promoting Human Development

Drawing from the experience of the developed countries, it can be seen that the existence of a skilled and healthy workforce is a key ingredient for high productivity and general economic development. The Continent needs to invest in its health and education systems. Basic education to all should be made a requirement, and beyond it Africa needs institutions which educate and develop the African to live and flourish in a highly complex and competitive world.

To quote Naidoo again, “Economic and business leadership is arguably one of the most pressing challenges found in our region and continent. We are living in interesting times – interesting means hard challenges, and living means an active engagement in changing realities for the better.” There is need for strong leadership to find the right path, bring about renewal, innovation and discipline of execution.

(iv) Accelerated Growth and Poverty Reduction

In order for the gap between the rich nations and Africa to be reduced, there is need for the Continent’s economy to grow at a much faster pace than that of the rest of the world. Accelerated growth can be realized by promoting the entrepreneurship of the African people

thereby creating employment. The promotion of both domestic and foreign investment is required to stimulate economic growth and African Governments must create a more conducive investment climate in order to attract investors. Economic growth will also come through massive investment by governments in infrastructure such as roads and telecommunications. Key to the initiatives to kick-start the recovery process of the African economies is the participation of both the private sector and Governments.

(v) Breaking into World Markets

Africa needs to know what it takes to be a world player which includes promotion and protection of your own interests first without annoying other world players. While what Africa produces may not be competitive enough in prices and quality, there are also deliberate trade barriers imposed which hamper Africa breaking into world markets, and these have to be negotiated strongly. Africa has a lot it is offering on the world market very cheaply without recognition, which weakens Africa’s negotiating stance. If you do not know what you have and what it means to the world, you fail to realise the need to include such items in the negotiations, and go out all the times begging instead of the other way round. Also Africa needs to enhance its own markets for its produces through regional economic integration, and reduce the dependence on exporting primary products. So Africa needs to break into world markets through hard knowledgeable negotiations, improved quality and prices of what it offers.

(vi) Financing and Supporting Africa's Resurgence

Experts say that Africa requires about US\$25 billion a year in aid if the recovery goals are to be achieved. The bulk of this money will have to come from the developed countries in the form of grants, unconditional aid and debt cancellation. African institutions will have to be more accountable if the aid inflows are to make any socio-economic impact. Multilateral institutions focussed on Africa such as the African Development Bank needs to be strengthened to fund a reborn Africa, with new regional and world networks.

In response to these challenges, Africa embarked on Economic Structural Adjustment programmes which have seen improvements in economic growth and governance on the African Continent. African economies grew by more than 5% in 2004, spurred by high commodity prices and prudent economic policies that are being pursued by some African governments. The Continent is however still far from directing and managing its own destiny and still embroiled in conflicts in a number of regions and countries.

While the Socio-economic challenges of Africa have their impact, the International Insurance Markets where the Reinsurance Industry of Africa gets its retrocession have been debilitated by a number of challenges.

International Insurance Markets

Reduced Capacity

The capacity crisis arises because in developed countries the risk values have increased, calling for capacity there. In

the United States, values have doubled especially in property well above inflation. The catastrophes have also increased tremendously. Globally, the past five years, up to 2004, have recorded 25% increase in catastrophe losses of US\$127 billion compared to US\$101 billion in the previous five years.

While the Tsunami disaster of December 2004 had very little impact on European insurance/reinsurance markets and consequently the spiral effects on other markets through retrocession arrangements were minimal, the claims will be higher when such events come again.

Predictions are that such losses are set to increase due to global warming, coastal population growth, increased construction costs and rising threat of terrorism. To demonstrate the seriousness of terrorism, the USA Congress has considered bills to extend Terrorism Risk Insurance Act (TRIA) through to at least 2007. The existing Act is set to expire on 31st December 2005.

Rising Demand for Insurance

Emerging economies notably those of India and China, are expanding at accelerated growth rates. Most of their nationals are commanding a lot of wealth creating the inevitable need for financial protection through insurance cover. For example, India's middle class is now estimated to top 240 million, more than twice times the total population of the UK and France combined. Car ownership is set to rise to over 140 million over the next fifteen

years and this creates significant demand for insurance.

Increased Regulation

In the aftermath of disasters, regulators in some markets have called off premium increases, so as to cushion their citizens. Whilst this might be noble from a society protection perspective, the initiative stifles capital development as rates of return on capital come low. In Florida, for example there was a price freeze on property insurance when the real need is to attract extra risk capital. Such protective regulations will reduce industry viability and availability of risk capital to the industry.

While the Socio-economy of Africa and the International Insurance markets pose challenges to the Reinsurance Industry in Africa, the Insurance Industry in Africa itself has its complexities.

INSURANCE INDUSTRY IN AFRICA

The insurance markets on the African Continent are both diverse and at different stages of development. Countries such as South Africa are at an advanced stage of development. South Africa has very high penetration rates, which equal or exceed those of Developed Countries in the life sector.

The development of the industry in Africa has been gathering momentum over the last 50 years as governments realized the importance of insurance in the mobilization of earnings to aid national development and the general preservation of resources. Insurance can be used as an empowerment tool for local people directly as individuals and through their Governments.

Reinsurance and insurance companies are increasingly being expected to play a developmental role by addressing the issues of poverty alleviation, the needs of the rural sector, and the formal and informal sectors of the economy. They are expected to be responsive to the needs of the societies in which they operate and this creates a strain on company resources and profitability.

In the initial stages, African governments played a direct role in the insurance industry by setting up reinsurance and insurance companies to mobilise investible funds and to stem the outflow of foreign currency from African countries and to earn it. The reinsurance companies had provision for compulsory cessions from local direct insurers and some operated as monopolies so as to facilitate their start.

In the 1960s, The United Nations Conference on Trade and Development, UNCTAD, which was tasked to further the development of emerging nations through trade and establishment of tariff preference systems favouring less developed nations, formally acknowledged the importance of the insurance industry in developing countries and assisted with the drafting of legislation to facilitate the development of the industry. This included legislation on setting up of insurance and reinsurance companies and prominent persons at UNCTAD included Mr. Bull, and our own Dr. Majid Habib Macah.

Performance of State Owned Insurance Enterprises

Performance benchmarks set for the state owned insurance companies created included profitability, growth and contribution to general social development. The developmental and other roles that the reinsurance companies were expected to play in the economies of African countries included bringing about local ownership of foreign-owned insurance companies and setting up new insurance companies as Greenfield investments. The Companies were also expected to play an active role in property development, mobilizing of financial resources. Their active participation in the local money and capital markets was also expected. They were expected to play a pivotal role in the preservation of foreign currency by providing local insurance capacity and to underwrite some risks that were shunned by the private reinsurers particularly the foreign companies.

The level of success of these state-owned enterprises differed from country to country and from company to company for different reasons, but in general they contributed a lot to the development of the insurance industry in their respective countries and in Africa as a whole. That was despite limited managerial experience, limited capital, and some political interference. Another major challenge was due to change of government policy particularly when many states made abrupt turn in policy following Economic Reforms in the 1990s.

Economic Reform Programmes

The implementation by African countries of the World Bank inspired Economic Structural Adjustment Programmes in the late 1980s and early 1990's, with poverty reduction as the focal point, resulted in the reduction in the involvement of governments in the insurance industry. Terms such as liberalization, privatization and deregulation became household names during this phase. The reforms were aimed at among other things, addressing issues of economic decline, attracting foreign investment, and the under performance of some state owned enterprises. It was also hoped that non-performing state owned enterprises that were on the brink of collapse could be turned around and made into more efficient and profitable entities through restructuring. The trend to privatize the state-owned insurance companies was ushered in.

While there might have been good intention some of the adopted programmes undermined the local Reinsurance Industry. The critical mass of business from compulsory cessions was removed and at the same time the local risks found their way to the International insurance markets directly.

Generally speaking, the Economic reforms did not deliver the expected results mainly because they were not homegrown solutions to the economic malaise in the African countries. African Governments embraced the reforms reluctantly as they were perceived to have been fashioned by

Western capitalists without an appreciation of the needs of the different groups of the developing societies. The ideological differences therefore resulted in the piecemeal and halfhearted implementation of the reforms. Policy changes were effected slowly and often cautiously. The time frames set to meet the economic targets were often too tight. Although the bank might have had all the good intentions and committed to the poverty reduction strategy, the main impact of the reforms was to hit the poor the hardest because of the emphasis on budget cutting and limited allocation of resources to education, health and welfare programmes. There was a contradiction therefore between the Bank's approach to structural adjustment programmes and poverty reduction.

Globalization

Globalization, which is generally said to have been started with the General Agreement on Tariffs and Trade (GATT) in 1948, and now being implemented under the auspices of the World Trade Organization (WTO) and UNCTAD, is ushering in the intensification of political, economic, social and cultural relations across geographical boundaries. There is growing interdependence of nations through trade and diffusion of technology. Economic interdependence and mobility of capital across borders are some of the manifestations of Globalization. There are opportunities presented to African countries for participating on the global market. There is growing convergence between insurance players in the developed markets and those on the

African Continent. Globalization is now an irreversible trend.

African countries, with their perennial problems of heavy debts and violent conflict are generally ill equipped to take up opportunities presented in the globalized environment and find it difficult to achieve competitiveness required in the current global economy.

The World Trade Organization (WTO) which was formed in 1994 as a result of the Uruguay Round of Multilateral Trade Negotiations initiated in 1986, is urging increase in market access and countries to open doors to world trade. Given the low capitalization and rating of most insurance companies in Africa, the opening up of markets will result in a net outflow of premiums from these countries, which they cannot afford.

The insurance industry itself in Africa which forms the major source of business for the Reinsurance industry in Africa is at crossroads with major challenges, and on top of them there are also specific ones affecting the reinsurance industry in Africa.

MAJOR CHALLENGES FACED BY AFRICAN REINSURERS

Anti-Selection

Reinsurers operating in Africa suffer the problem of discrimination in their dealings with companies in the developed countries of North America and Western Europe. Companies in Africa face problems in sourcing capacity especially for large and complex risks. Cover is often obtained at exorbitant rates and terms, and

restrictive conditions are often imposed. These companies face segregation on the pretext of perceived or real poor security ratings, as few Reinsurance companies in Africa are rated favorably by International Rating agencies due to country risk and costs involved. The down grading of the Reinsurance Industry in Africa also arises from delays in Reinsurance premium remittances, and as such the retrocession costs are raised. They become not-the-preferred business by the International Retrocession market who opt to by-pass Reinsurance industry of Africa and go for selection or “cherry picking”. That threatens their viability, and they also become more expensive to the retail market they serve because of the retrocession baggage imposed on them.

The anti-selection applies to the business they secure even in their local markets that they are not the preferred reinsurers. The international big players select good insurance companies to deal with and to write only good risks well rated usually on foreign currency policies with foreign currency guaranteed, again denying the Reinsurance industry in Africa to participate.

To combat the anti-selection problem, the Reinsurance industry in Africa should develop itself to be the preferred reinsurers and retrocessionaires with appropriate capacities for the needs of Africa, operating professionally and offering needed technical back-up. The industry should be rated independently and objectively, and the industry has to market itself as capacity of first choice. The companies in the reinsurance

industry in Africa should cooperate more rather than be misguided and be preoccupied and think that other continental reinsurers are competitors to be demarketed. This attitude promotes the anti-selection interests.

Limited Underwriting Capacity

The Reinsurance industry in Africa faces the problem of limited underwriting capacity as the companies have small capital which is constantly being eroded in hard currency terms due to currency devaluation. Low and negative economic growth impacts negatively on investment returns, profitability and capital growth, and in return on underwriting capacity. Very often, African reinsurers are not able to attract sufficient foreign direct investment because of perceived high country risk. This situation forces them to write lowly valued risks taking small lines, which annoys the reinsureds. This limitation also affects their ability to write external business and earn foreign currency.

Reinsurance companies in Africa therefore have to solve the underwriting capacity problem and they can do it by looking inwards first. When internal solutions have been exhausted, they can look for regional and intercontinental solutions. There should be a holistic approach to address the capacity crisis including direct companies too. The direct companies must be adequately capitalised so that there is no undue demand on the reinsurance. This allows the Reinsurance Industry to use its capacity efficiently. Efficient

utilisation of capacity follows efficient application of resources through risk management techniques and skilled underwriting. When the available capital has been fully utilized and exhausted, there should be increased capitalisation by shareholders including other risk financing techniques. The Reinsurance industry should play a leadership role to enable direct companies to skillfully apply their resources as part of capacity creation. The Reinsurance industry should create adequate capacity for the market by stretching the application of its capital, and if need be increase it through shareholders and other risk financing techniques. It is a challenge for the Reinsurance Industry to meet the needs of the market. When it has exhausted its means, it has to create fresh capacity by integrating market and country resources either in form of pools or syndicated capitalisation. Increasing capacity at all levels enhances retention of premium funds at company level for profitability and company growth, and ultimately at country level. The challenge rests with management first and then shareholders to strengthen these capacities of the local insurance markets. A strong domestic reinsurance and insurance market would attract even foreign capital into the country and the sector in particular..

The capitalization of reinsurance and insurance companies by shareholders should not be limited to statutory minimum levels, which are just basic prescribed entry levels. Funding should go beyond the statutory levels.

Just like in the developed economies, there are opportunities in the African market to create insurance companies

with strong balance sheets through mergers and acquisitions, if shareholders of individual companies cannot provide the required critical mass. Underwriting capacity will be boosted and such companies will be able to compete favourably with international and regional players.

Regional and local stock exchanges can also be instrumental in building capacity by raising capital for insurance companies.

If cooperation between African countries is intensified, this is likely to bring more investment opportunities to local insurance industries. Companies operating in more developed African economies should invest in other African markets starting with neighbouring countries with similar risk profiles. The spread of shareholding across geographical regions should not be seen as a new form of colonization but as a necessary regional development. There is need to break barriers for regional players in order to facilitate their entry. African countries must open up to each other first, and this will attract capital and business from outside Africa when they see dynamics within Africa.

Besides crossborder shareholding, the reinsurance industry should promote and support pooling schemes on the continental level, such as the African Oil and Energy Pool, the Aviation Pool and resuscitate the Fire Pool. Within the OESAI region, the Fire Pool should be supported with capacity and business. It is also high time that a Continental Reinsurance Centre or Regional Reinsurance Centres are

established where the reinsurance industry make their capacity available to African risks either as reinsurance or retrocession at terms they determine themselves. The centres can be linked to one of the reinsurance companies but managed separately or placed with an Accounting firm, legal firm or professional entity and paid commission for processing the business. The reinsurance industry should take it as their challenge to provide capacity.

Besides Intra-African capacity, the reinsurance industry should link up with Asian countries where huge capacity has arisen in win-win partnership at company levels or with some of the pools such as the FAIR Aviation Pool based in Morocco, FAIR Oil and Energy Syndicate based in Bahrain and the FAIR Reinsurance Pool based in Turkey. Again in the spirit of cooperation, the reinsurance industry will offer capacity and business to these solid entities, with definite dividend returns which does not happen with business you place elsewhere.

When they have created mega national, continental and inter-continental capacity, they would be better placed to negotiate for their retrocession programmes and for business from their respective markets and externally.

Foreign Currency Constraints

While most insurance business is transacted in local currencies, reinsurance business by its very nature requires foreign currency, and its shortage is a challenge. Payment of retrocession premiums and external claims is in hard currency. Most African countries do not have adequate foreign

currency resources and delays are often experienced by reinsurance companies in obtaining hard currency. Most African reinsurers are not accepted as suitable security on international business because of doubt on ability to meet external claims, which require foreign currency. This in turn will curtail their ability to grow their foreign currency earnings. The devaluation of local currencies against major currencies means that the retrocession costs are not controllable and also reduces ability to meet external claims. All these factors make it very difficult for African reinsurers to compete on the international market. The foreign currency constraint also affect local risks which have foreign currency components as reinsureds and insureds would prefer foreign currency dominated policies. This in many cases precludes the Reinsurance industry of Africa. What is needed to address the foreign currency constraints is to involve the authorities to develop a shared vision, which covers the role and key success factors of the reinsurance industry. There should be an upfront foreign currency commitment for retrocession and claims whether local or external, which require foreign currency. Reinsurance industry should have its own foreign currency either in countries where there are no stringent exchange controls or hold foreign currency accounts which they can access easily. The reinsurance industry should also have assets like Precious Metals which are not affected by local currency devaluations to protect the strength of their balance sheets, and they should

be allowed to trade their positions when there is need to meet retrocession and claims obligations. The industry should also be allowed to make crossborder investments which give foreign currency dividend flows and cushion from domestic economic problems.

Skills Development

As previously highlighted, one of the major challenges facing the African continent is shortage of skills and the problem is compounded by the brain drain to developed countries.

An adequate skills base is essential because complex structures and systems must be created in the insurance companies in African countries to enable them compete favourably with those in the developed world. Staff would require complex leadership and managerial skills to drive the insurance industry in African countries. Technical skills required include actuarial, loss adjusting, risk management, underwriting skills and information technology skills to handle the reinsurance industry itself and to assist clients. Managing capacity issues is a skilled process which has to be done properly. The industry should develop its skills continuously, budgeting for it and participating in cooperation and technical assistance programmes with other regional and international institutions.

Intra-regional and international exchange of managerial staff can also be used as a means to enhance management skills and competence. Countries with surplus capacity in skills must export them to those without.

Interactions between companies must be intensified in order for insurance companies to benefit from the skills and knowledge of other players. This can be achieved through the organization of workshops and seminars on insurance matters. Business exchange programmes and other forms of cooperation must be increased at regional level leading to the establishment of strong networks. The industry must be run by highly skilled personnel who are educated on all tenets of good leadership and in best practices.

The reinsurance industry should promote the setting up of African Centre of Insurance education either at company level or as an independent centre of Insurance Excellence like the National Insurance Academy in India where hundreds of Africans go every year. When is Africa going to set up its own Swiss Insurance Trading Centre as sponsored by Swiss Re in Zurich. What about the Frankona infrastructure in Sweden. It is time the industry put money where its mouth is and invest in such projects to develop skills for the industry, and this will prove that they add value to the industry. There must be educational scholarships locally and regionally to benefit insurance and reinsurance practitioners.

Research and Development Capacity

The reinsurance industry in Africa has traditionally relied on expertise from developed countries in the design of insurance products. Some of the products are not relevant because they are not designed to meet the

requirements of African situations. Insurance companies in Africa require developing the capacity to conduct ongoing research and come up with products that satisfy the unique needs of this unique market, and match the covers with the economic reality and risks of Africa. While attempts are being pursued to come up with rural insurance to match the socio-economies of Africa, the reinsurance industry should give its full backing in capital and capacity back-up. In a survey being done in Zimbabwe on Rural insurance, it has been established already that the market premium could increase by 25% at least if half of the properties, enterprises and lives in rural areas are properly insured. This is a challenge for the reinsurance industry to address, but there is general serious discomfort to move out of the comfort zones of Western designed urban oriented products. The reinsurance industry should come up with Research Centres of Excellence on the continent, and attempts being pursued in Morocco in the form of Centre for Natural Catastrophes should be emulated. In South Africa, the Southern Africa Special Risks Association (SASRIA) should be extended to cover similar risks outside South Africa. In Zimbabwe, the Special Risks Consortium meant to cover political motivated and dreaded risks should be strengthened and the concept developed in other markets. That creativity reduces over dependence on external retrocession markets, preserve investible surplus and foreign currency, and develop the Reinsurance industry in Africa. There must be Research Bursaries and Awards to insurance and reinsurance practitioners

and scholars for the benefit of the industry.

Information and Communication Technology (ICT)

There is heightened awareness that ICT is a major business in itself and driver of economic development. Sadly, Africa has not made sufficient investments in ICT and the training of its people to match the challenges of technological advancement. The reinsurance industry in Africa still relies on wholesale importation of hardware and software from the north, and few markets are making deliberate moves to at least assemble servers and develop both operating and business solutions. It can be argued that customization of some of the highly reputable softwares is like buying a Rolls Royce and cut it down to a mini and expect it to perform equally effectively. The upfront and maintenance costs of these systems are very high compared to the business they service, and the burden is worsened by the depreciation of domestic currencies. The reinsurance industry in Africa should take it as its responsibility to lead in the respective markets and the continent as a whole for serious investments to be made in Information and Communication Technology. ICT is high investment and pooling its development and processes could create savings and common data bases, which would be useful in the exchange of reinsurance business

Industry Supervision

There are no strong and effective regulators in most African markets mainly due to lack of resources. Some

countries have very weak regulatory authorities that often bow to political pressure and therefore become ineffective.

Insurance industry regulation is necessary to ensure that companies are financially solvent, and can act as a catalyst for attracting inflows of capital and business. The intensity of industry regulation often has a direct relationship with the perceived risk of insolvency of insurance companies in a particular market. Governments are expected to ensure that there is stability in the insurance market in order to protect investors and policyholders. That should be done through the establishment of a strong supervisory authority, which handles issues such as licensing, capital adequacy corporate governance and human resources development. The supervisory authorities should have both capital and human resources to do the job, because countries without the right levels of regulation are likely to fail in the globalized environment. Industry supervision should ensure that companies adhere to all the tenets of good corporate governance as a basis of operations and doing business. The industry will enjoy the confidence of investors and policyholders, who would like to do business with the reinsurance industry in the respective countries of Africa and Africa as a whole. It is a challenge therefore for the Reinsurance Industry in Africa to motivate and preserve a strong regulatory framework in their respective countries and on the continent.

Infrastructure

The Reinsurance industry in Africa

relies mostly on Africa business, and since there is lack of proper infrastructure, this often militates against the effective operation of reinsurance companies in Africa. Distance, travel problems, and general underdeveloped Communication infrastructure in some countries makes business interactions difficult. There is need for the respective African governments to invest in infrastructure development so as to facilitate the interchange of ideas and business amongst the various geographical regions. The Reinsurance industry still has a role in infrastructure development by communicating with governments, create and make available investable funds in the sector.

While talking about physical infrastructure, the reinsurance industry in Africa should set up its own platform to strategize on issues of mutual interest. There are over 25 reinsurers in Africa and there is need for an association under which reinsurance industry challenges could be addressed. This should be done under the umbrella of the African Insurance Organisation (AIO). At the initial conceptualization of the African Reinsurance Forum, it was envisaged that it would be a forum solely to benefit indigenous insurers and reinsurers. This has not been achieved as external traditional reinsurers benefit more and reinsurance business going out of Africa is increasing. There should also be similar deliberations at FAIR levels that strengthening of the reinsurance industry should be given urgent attention, otherwise the AIO

and FAIR gatherings and their respective Reinsurance Forums would continue to benefit the traditional reinsurance and retrocession markets. There should be audits in respective markets in Africa to assess whether there is significant improvement in retention levels, and this could be done by the Reinsurance Association of Africa.

CONCLUSION

Let me conclude by saying that the challenges faced by the reinsurance industry in Africa are enormous. There is however some light at the end of the tunnel due to the increased concern by Africa's leadership in politics, society and the economy, and world attention and interest in the development of the Continent.

The Reinsurance industry in Africa should face the challenges head-on and first look for internal solutions to tackle the problems, after which the focus should be on regional cooperation through the pooling of resources in order to enhance capacity and business, and then international. Reinsurance like insurance itself is about spreading risks at company, country, continental and international levels, but the Reinsurance industry in Africa while observing that principle should ensure that they promote and protect their existence and enhance their interests. While my presentation placed the reinsurers on the centre, most of the aspects require that both the suppliers (reinsurers / retrocessionaires) and the recipients (the

reinsureds) should seriously play their parts to create a strong reinsurance industry in Africa, and retain premium and investible resources in Africa. The marginalization of the reinsurance industry also means the underdevelopment of the insurance industry in Africa. Cooperation between reinsurance companies in Africa through regular exchanges of information, expertise and development of reinsurance relations must be promoted. I would like to underline that reinsurance business must be responsive to the broader needs of societies and make a positive contribution to economic development of the continent. Reinsurance companies in African countries must aspire to ultimately attain the same level of development and professionalism as those companies operating in the developed world and offer Africa what those in the North offer to their countries and continents. That, in my view, should be the ultimate goal. My other challenge is for OESAI to continue to be a major player in developing a strong insurance industry in the COMESA region. It should create a monitoring capability to check on progress so that it does not become just a talk shop. It should answer to questions such as "Does COMESA region have a reinsurance industry growing and relevant to the socio-economic needs of the area?" Yes to this question should be the ultimate goal.■