



Impact & Opportunities of Covid 19 in the Insurance Sector

Winning The War

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About this paper

This paper presents the findings of the covid 19 impact to the insurance industry. Some of the direct consequences of the pandemic to the insurance sector will include but not limited to decreased demand, request for premium refunds, surrender and discounts, decline in investment income by about 25%, mortality increase by about 2-6 folds, request for loans on the premium, hardening of reinsurance rates, exposure to cyber risk and malpractices, limited physical inspection on claims, seeking of tax incentives, restructuring of catastrophic reserves and excess of loss rates and contracts.

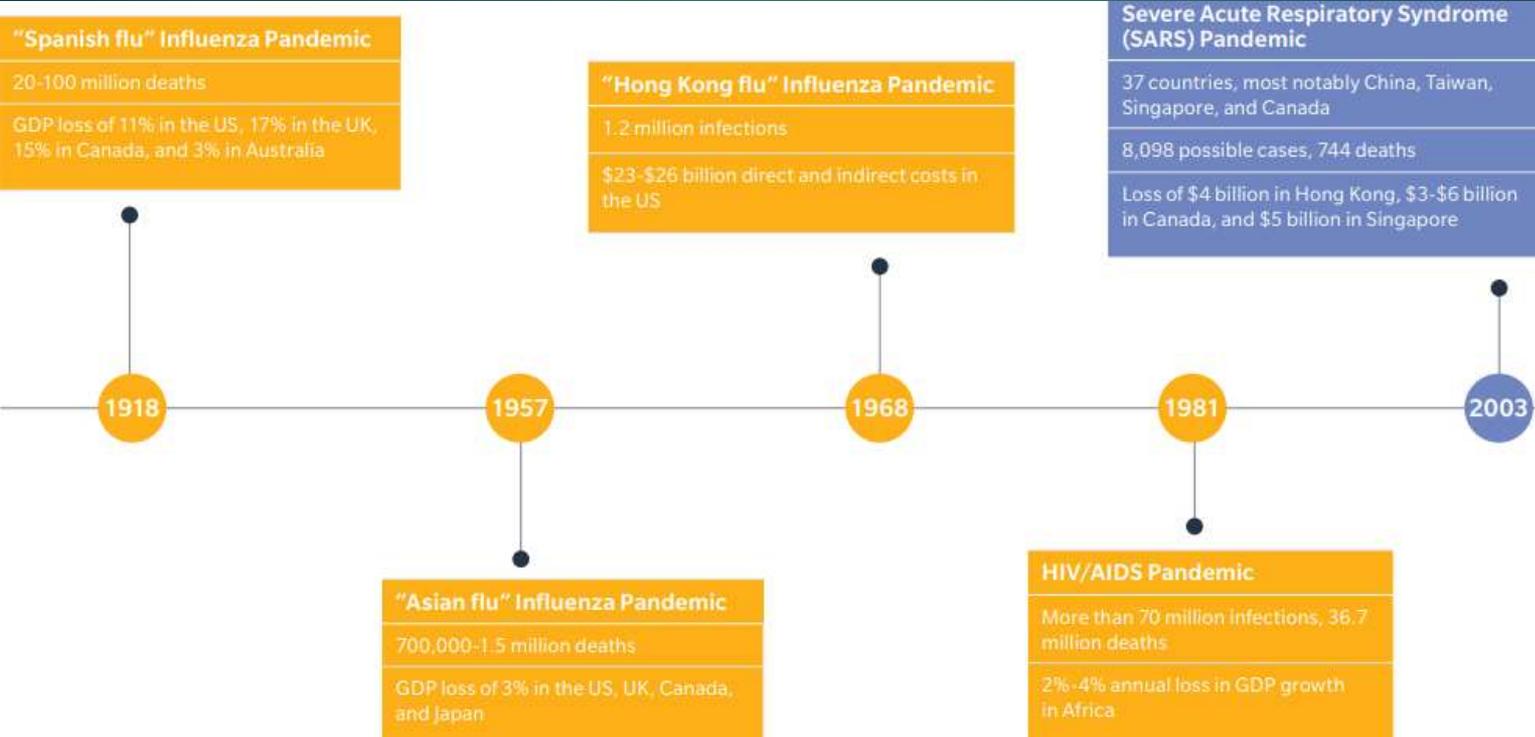
Opportunities will also emerge from the pandemic including demand for microinsurance products in markets with low levels of penetration for life and health insurance and the forced migration to digital platforms.

This paper does not offer analysis of each portfolio (available on request only). The paper presents findings and opinion of the authors and it is not binding.

Content

1. Pandemics, epidemics & outbreaks
 - Impact on insurance
2. Economic impact of COVID 19
 - Global, Africa, Tanzania Impact
3. COVID 19 Impact on Insurance Industry
 - Global, Africa, Tanzania
4. Opportunities in the era of COVID 19
 - Economy, Insurance
5. Strategies to win the COVID 19 War

1. Pandemics, epidemics, outbreaks



Commentary

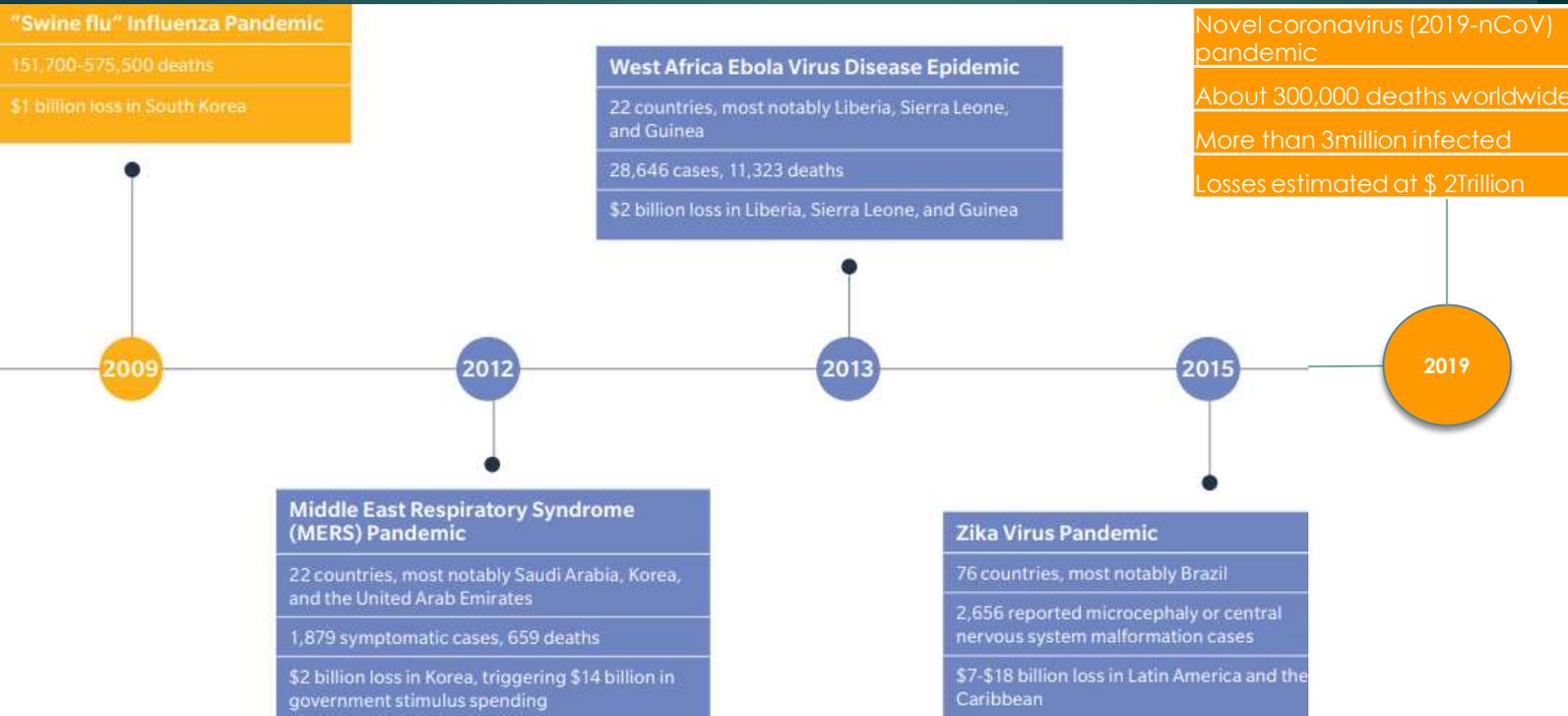
Pandemic is an epidemic occurring worldwide, or over a very wide area, crossing international boundaries and usually affecting a large number of people (WHO)>

- Since the 'Spanish influenza' pandemic of 1918, the trend of pandemics has been estimated at three per century.
- However, recent frequencies of the outbreaks has increased as shown on the above flow chart arguably due to advancement in technology, frequent and unrestricted travel, and far-reaching supply chains.

... Pandemics, epidemics, outbreaks

Commentary

- Economic and social consequences of the novel coronavirus pandemic include drop in global stock markets, travelling disruption, closing of businesses, health and safety and mortality. Organizations can and should strategize to limit the spread and impact of covid19 by preparing to respond, remediate and recover.



2. Economic impact of COVID 19

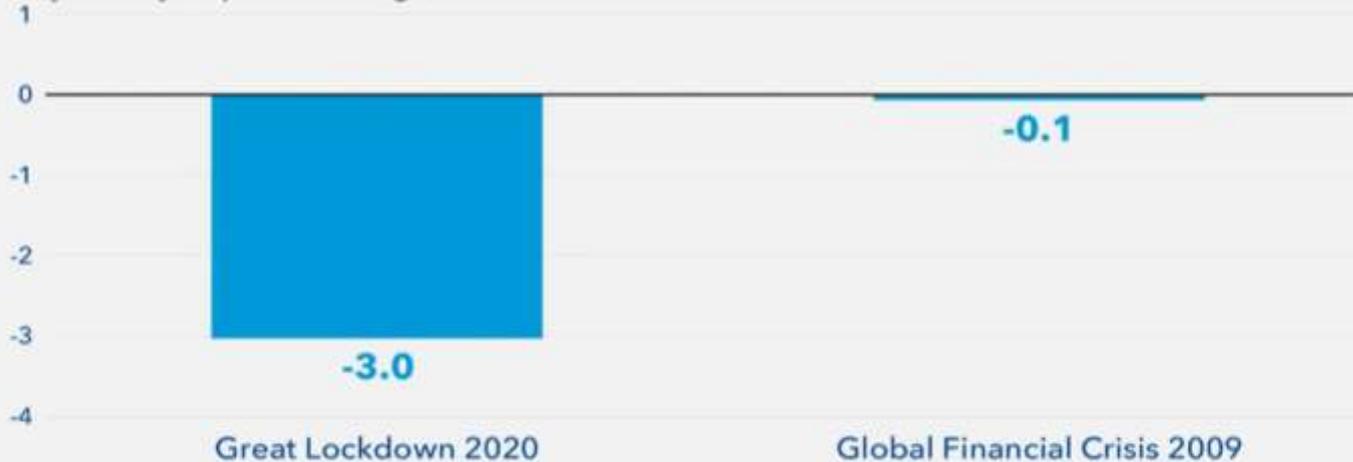
Commentary

The World Bank estimates that the cost of a severe flu pandemic could total as much as 5% of global GDP. For businesses, potential risks include:

- Loss of human capital due to sickness and mortality.
- Increased employee absenteeism and lower productivity.
- Operational disruptions, including interruptions and delays in transportation networks and supply chains.
- Reduced customer demand.
- Infrastructure deterioration.
- Reputational damage organization's response to an outbreak

The Great Lockdown Worst Recession since the Great Depression

Global real GDP growth (year-on-year percent change)



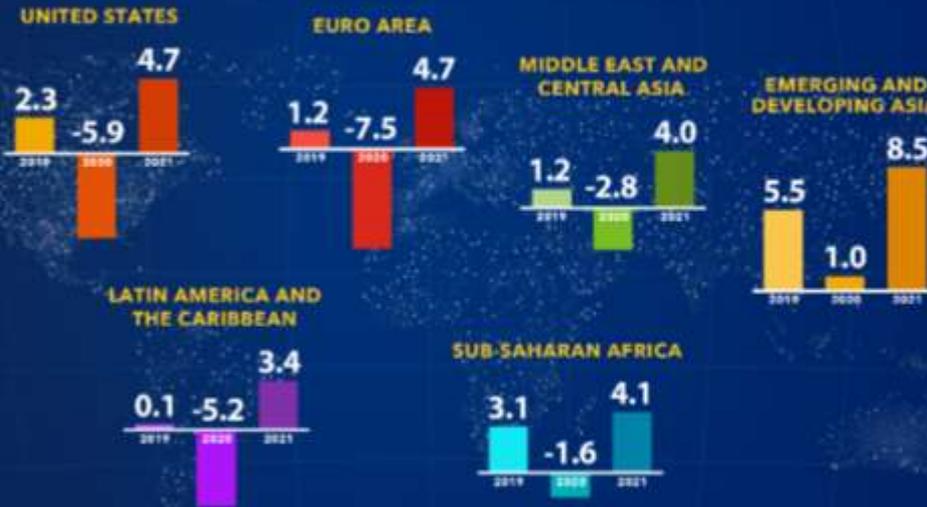
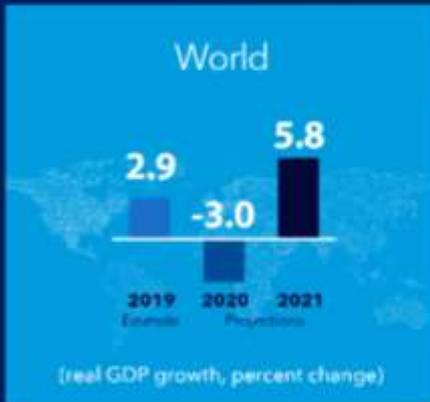
COVID 19 Impact & Opportunities for Tanzania

Commentary

- Global GDP is expected to shrink by -3% and Sub-Saharan GDP is expected to shrink by -1.6%.
- Tanzania GDP will grow by 2% in 2020 and 4.6% in 2021 (IMF, 2020).
- Tanzania GDP will grow by 4% in 2020 (MoFP, 2020).
- Construction, infrastructure and social services will absorb most of the economic stress from covid 19 in Tanzania as lead by Government budget.
- No lockdown effect will enhance resilience of the economy, and see the agriculture sector maintain and possibly increase its contribution to GDP.
- Mining sector with leading GDP growth ratio at 17.5% backed by decline in oil prices will help cushion the economy.

Latest World Economic Outlook growth projections

(percent change)



Source: IMF, World Economic Outlook, April 2020.

Note: Order of bars for each group indicates (left to right): 2019, 2020 projections, and 2021 projections.

Impact of covid 19 to various industries in Tanzania

Commentary
Sectors which are significantly affected by the corona pandemic in Tanzania include:



- Tourism & hospitality
- Transportation
- Financial services

Mild affected sectors

- ▶ Construction & Real estate
- ▶ Manufacturing
- ▶ Education
- ▶ Mining & extractive

Sectors gaining from the pandemic:

- ✓ Pharmaceuticals
- ✓ Food processing & retail
- ✓ ICT & e-commerce
- ✓ Personal & healthcare
- ✓ Agriculture

To assess the impact of covid 19 in the insurance industry, a comprehensive framework is used. The framework assess the impact on the following dimensions:

- Domicile of the insureds vs geographical severity of the pandemic,
- Concentration of risk of the pandemic.
- Provision approach used by the company – stress testing and assessment model and assumptions.
- Asset categories & distribution.
- Capitalization options.
- Level of diversification.

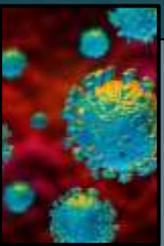
Framework to determine impact of COVID 19 on the insurance companies/industry



Location of company's insureds in relation to outbreaks of the disease, including exposure to certain foreign markets where the outbreak may be more severe.



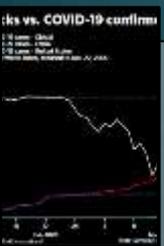
Level of ease to convert assets into cash for the purpose of paying benefits.



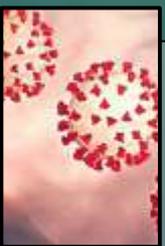
Level of effect of the disease spread on the particular company's investments (risk concentration).



Level of ability of a company to raise additional capital under pandemic circumstances.



Level of reserves provision approach used by the company.



Level Diversification and character of a company's portfolio (e.g., portion of business affected by COVID such as BI to remain solvent).

3. COVID 19 Impact on Insurance Industry

10

- ▶ Historically, property all risk policies would not have provided coverage. Property insurance typically need a trigger of physical loss or damage caused by an insured peril. Diseases and viruses are not an insured peril. Contingent extensions such as denial of access or loss of attraction under such policies still need an insured peril as a prerequisite for coverage.
- ▶ However, some specific endorsements have become available and are being adopted with greater frequency. Such extensions are usually subject to separate limits and deductibles.
- ▶ Specific extensions such as interruption by communicable/infectious/ contagious diseases, interruption by mandatory closure for pandemic diseases or contingent business interruption extra expense resulting from an affected customer or supplier. Losses covered may include:
 - ▶ Loss of income
 - ▶ Extra expenses
 - ▶ Crisis response
 - ▶ Cost of decontamination
 - ▶ Sanitizing

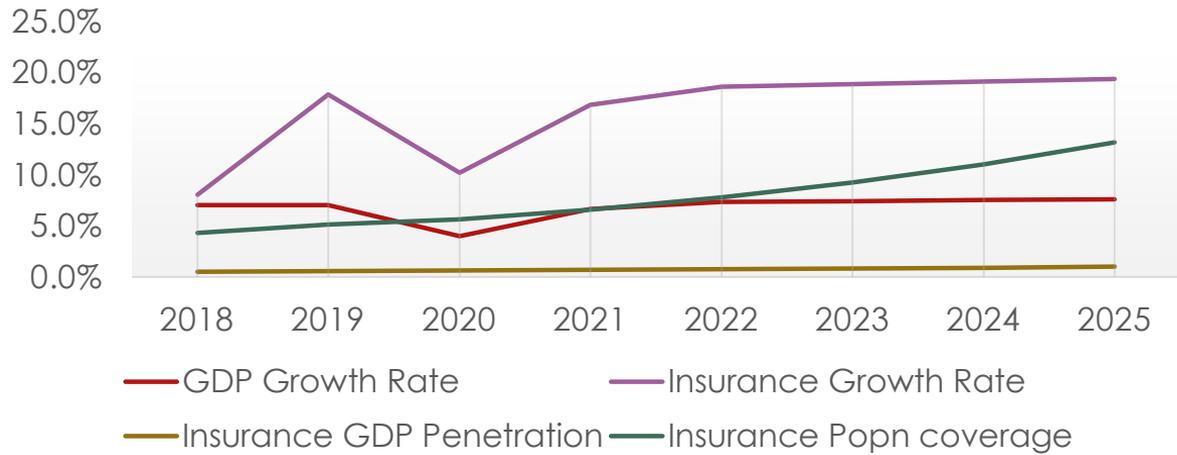
Impact of COVID 19 on the growth of insurance industry in Tanzania for the period between 2020 - 2025

Year	Base Years		Highly Impacted Years			Back to Normal		
	2018	2019	2020	2021	2022	2023	2024	2025
GDP Growth Rate	7.0%	7.0%	4.0%	6.6%	7.3%	7.4%	7.5%	7.6%
GDP Volume (in \$billion)	56.8	62.2	64.7	69.0	74.0	79.5	85.5	91.9
Population	56.3	58.0	59.7	61.3	63.0	64.7	66.4	68.2
Insurance Growth Rate	8.0%	17.8%	10.2%	16.8%	18.6%	18.8%	19.1%	19.3%
Gross Premiums (in \$ million)	300.8	354.4	390.5	456.1	540.9	642.8	765.6	913.7
Gross Premiums (in Tzs. billion)	691.9	815.2	898.2	1,049.1	1,244.1	1,478.5	1,760.8	2,101.4
Insurance GDP Penetration	0.53%	0.57%	0.60%	0.66%	0.73%	0.81%	0.90%	0.99%
Insurance Population coverage	4.3%	5.1%	5.6%	6.6%	7.8%	9.2%	11.0%	13.1%

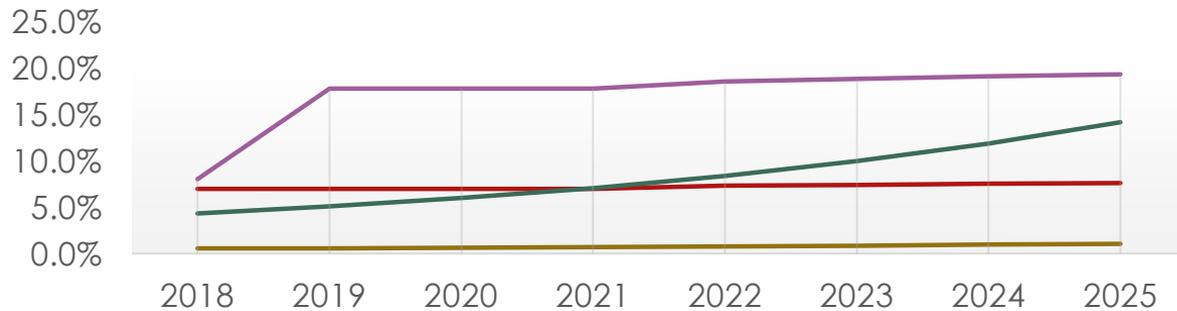
Commentary

- This projections takes conservative estimate anticipating recovery plan have immediate effect on economy and industry specifically.
- The industry will experience significant impact on bottom line, even when top line recovers (underwriting tail-lag).
- Contribution of insurance GDP will remain small but 1% unless radical measures improve the situation are in place.
- Opportunities to enhance trust to insurance emerge
- TWG should coordinate recovery plan implementation of National Inclusive Insurance Strategy 2020 – 2030.

Tanzania Insurance Growth Trends 2020 - 2025 With Covid-19 Factored In



Insurance Growth Trends Without Covid 19



Commentary

- ❑ “If there is a human influenza pandemic, every insurer might be at risk [but] on the life insurance side, it’s hard to determine the exposure.” *Standard & Poor (2005)*
- ❑ “If a flu pandemic hit, insurers will face a surge in claims by 2.7 to 6.5 times (RGA, 2007).”
- ❑ “With a 0.5% probability, the excess population mortality during a pandemic is projected to be 1.3 per mille (Swiss Re, 2006).”
- ❑ Excess mortality estimates incase pandemic:– 2.1% South Africa 0.65% USA, 0.38% Germany and between 0.25% - 0.50% worldwide (Johnson & Mueller, 2002).
- ❑ Worldwide insured losses could be anywhere between US\$15b (optimistic scenario) and US\$200b (worst case scenario) S&P, 2005. Almost all insurance sectors would be affected. How seriously insurers are affected depends on how long the pandemic lasts.

3. COVID 19 Impact on Insurance Industry

	AREAS	CHALLENGES	OPPORTUNITIES	STRATEGIES
1.	Regulatory & Enabling Environment	<ol style="list-style-type: none"> 1. Default on claims 2. Suspending products 3. Introduction of restrictive clauses 4. Solvency, capital, reserving 	<ol style="list-style-type: none"> 1. Improve public confidence & trust on insurance 2. Ensure protection is availed to public in dire needs 3. Enable & encourage innovation and digital tool usage 	<ol style="list-style-type: none"> 1. Create a taskforce to guide the market during the crisis with clear TORs 2. Guide the market by developing a blue print for business continuity plans 3. Revise standard terms & rates 4. Facilitate innovation & new products 5. Extend routine reporting requirements 6. Repeal cash & carry to allow installments
2.	Supply of Insurance Services	<ol style="list-style-type: none"> 1. Market Risk (i.e. share price volatility, market downturn, recession etc.) 2. Concentrated Claims-mortality, morbidity, BI, retrenchment) 3. Reinsurers collapse 4. Brand management and Sales Volatility 4. Business continuity 5. Counterparty 	<ol style="list-style-type: none"> 1. Enhance brand image – pay claims, CSR, innovation 2. Increased demand 3. Demand for new products 4. Use of digital platform 5. Acquisition of weakened companies 	<ol style="list-style-type: none"> 1. Develop recovery plan & maximize on opportunities 2. Provide resources needed to deal with the crisis 3. Appoint Business Continuity Champion to spearhead strategy implementation. 4. Ensure staff are safe, motivated, active and productive. 5. Information sharing and trust maintenance in the industry
3.	Demand for Insurance Services	<ol style="list-style-type: none"> 1. Default on claims 2. Suspending products 3. Introduction of restrictive clauses 	<ol style="list-style-type: none"> 1. Premium discount 2. Introduction of new products & riders 3. Digital platforms to enhance service 	<ol style="list-style-type: none"> 1. Seek professional advice 2. Utilize online platforms 3. Ensure you have necessary cover required



Mission

Provide protection needed by the community through insurance products, claims settlement, risk management advice and investment strategies which ensures business continuity.



Goal

Insurance sector that responds to pandemic crisis needs of ensuring resilience of business & individuals and their well being while protecting business sustainability .



Strategy

Preparedness, compliance, innovation, information flow and timely action.



Vision

A delivering and sustainable insurance market with products and services that respond to consumer needs in times of a pandemic era.

Values:

Preparedness

Trust

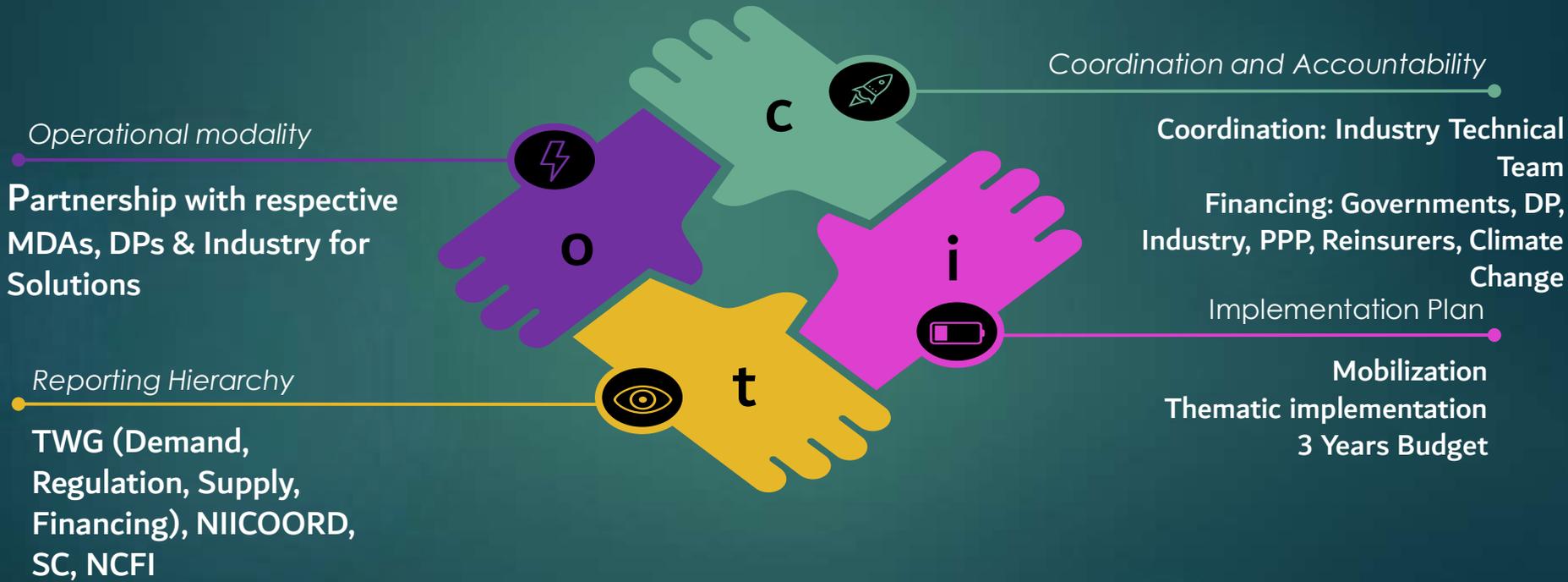
Teamwork

Innovation

Conservativeness

NB: Companies without well thought-through planning and recovery plans will be at a disadvantage compared to their competitors.

COVID 19 INSURANCE INDUSTRY STRATEGY IMPLEMENTATION AND COORDINATION



How can Africa College of Insurance help insurance industry in this challenging times?

16

- ▶ The Africa College of Insurance and Social Protection will continue to bridge the capacity gap in the industry in this challenging time by offering capacity building sessions which responds to the challenges brought by the pandemic.
- ▶ Specific services to enable insurers circumvent the impact of the pandemic are offered by the College including:
 1. Crisis response planning and strategy development and implementation.
 2. Stress testing and assessment
 3. Alternative capital solutions
 4. Readiness assessment and solvency test
 5. Product design, pricing and re-structuring
 6. Asset liability management plan
 7. Artificial insolvency assessment
 8. Team motivation and readiness
 9. Restructuring portfolio strategy and concentration
 10. Re-alignment, re-configuration and fully updating of solvency, capital regime, risk management and ORSA.

About the Author



- ▶ Ancellmi is a Director of Consultancy & International Relations at the Africa College of Insurance and Social Protection. He is an avid Researcher, Consultant, Author & a Trainer for government and international organizations on planning, policy, regulation and strategy. He serves as the Country Microinsurance Coordinator in Tanzania (TIRA/FSDT) facilitate SC and TWG in deployment of the Inclusive Strategy 2020 - 2030. As a business man & CEO, he develops various insurance products, and builds partnerships in deploying the insurance projects for Acclavia Insurance Brokers & Risk Consultants. He is a Lecturer at the Tanzania Public Service College. He serves in various taskforces within the insurance industry and outside geared at engineering growth of the financial sector and inclusive economy such as Governing Council Tanzania Insurance Brokers Association, secretary to the Tax Reforms Committee of the Insurance Industry in Tanzania, Africa Insurers Organization (AIO) Microinsurance Working Group and InsuResilience Global Partnership.



Insurance Industry in Tanzania WINNING COVID – 19 WAR

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