Insurance industry tops Shs 700 bn

Gov't earmarks Shs 5 billion for farmers' insurance in 2016/17

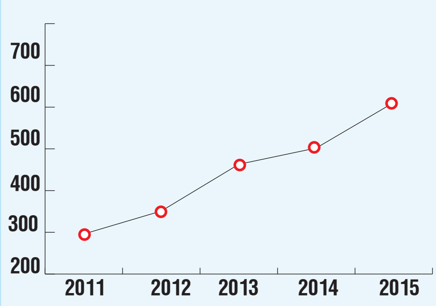
By Isaac Khisa

Five years ago, the insurance industry in Uganda could barely raise Shs 500 billion in total premiums. Across the border in Kenya, total premiums amounted to Shs 5.2 trillion, though still way below South Africa's Shs 178 trillion. That shows Uganda still has a long way to go. However, a new report by the Insurance Regulatory Authority of Uganda (IRA-U), the industry regulator, shows that the industry has seen a resurgence thanks to the growing economy and large scale infrastructure projects.

Ibrahim Kaddunabi Lubega, the chief executive officer, told journalists in Kampala on April 26 that insurance premiums to be underwritten in 2016 year are expected to shoot to Shs 733 billion compared with Shs 611 billion in 2015, an increase of Shs 122 billion. He attributed the growth to the sustainable economic expansion and demographic shifts, which he said are making the insurance market increasingly more attractive. The expansion in the insurance industry this year will be driven largely by tapping into opportunities presented by banc assurance and gaining grip into product synergies, ability to access new markets particularly of the informal sector, and enhanced public sector investments in infrastructural projects, according to Kaddunabi. "Innovations into the development of customer-centric products and strategic partnerships have improved both product affordability and accessibility…customers are now more informed and are looking out to solutions as opposed to mere policies," he said. Also prospects in the oil and gas sector as well as the growing affluent class will also stir the underwriting premiums.

According to a recent report by KPMG on the insurance industry in Africa, the key determinants of an insurance sector in any particular country are income levels, political stability, the depth and sophistication of the financial sector, the level and volatility of inflation, and the capacity of companies to innovate among others. Kenya was particularly singled out as a good performer because of its ability to innovate while it also has a reasonably well-developed financial sector. Global insurance premiums grew by only 2% in 2013 but expanded by 8% per annum in Sub Saharan Africa, which makes the region not only one of the fastest-growing regions in the world, but also the most attractive to international insurance giants. Currently, Uganda has 29 insurance companies including global giants Prudential and Britam, which joined the industry recently. IRA-U is currently drafting regulations to guide the roll out of banc assurance products onto the market after President Yoweri Museveni signed the Financial Institutions (Amendment) Bill 2015 into law earlier in the year, to pave way for the sale of insurance covers through commercial banks. Over the past five years, Uganda's insurance industry has continued to register growth in the underwriting premiums due to a surge in consumer confidence in the sector and so is the adoption of insurance as a reliable risk management tool. The non-life insurance products continued to dominate the industry, accounting for 76% compared with 16.3% for life and 7.7% for Health Membership Organizations (HMOs). Significant premiums were realised from the ongoing infrastructural developments in the country including Karuma, Isimba, Entebbe Airport expansion, Entebbe Express Highway, Jinja Bridge, various dams and road projects. Insurers' asset base saw an 18% growth, which shows a growing strength of companies to handle insurable risks locally and provide adequate protection to the insuring public. Gross claims paid for non-life insurance rose from Shs 184 billion to Shs 214 billion in 2015, representing a growth of 16%.

Underwritten premiums since 2011



Agriculture insurance

On the agriculture insurance product dubbed 'Kungula Agrinsurance,' which was unveiled in 2014, Kaddunabi said the government has put a side Shs 5 billion in the forthcoming national budget as subsidies to farmers to enable them undertake agriculture insurance products. He said another Shs 5 billion has been earmarked to benefit farmers as subsidies in the subsequent financial year. 'Kungula AgrInsurance' is packaged as two sub-products: Livestock All Risks Mortality (ARM) Insurance and Crop Indexed Insurance. With the new fund, farmers with less than five acres of farm land will get a 50% subsidy while those owning more than five acres will be entitled to a 25% subsidy of premiums on their insurance policies.

A group of six insurance companies - Lion Insurance, APA, UAP, FICO, NIKO and NIC - with financial support from Agribusiness Initiative (aBi) Trust - introduced the agricultural insurance product, with a planned investment of Shs 350 million to help farmers cope with devastating weather shocks but its uptake has been slow. Still on the innovation front, AIG, a property-casualty and general insurance firm, last year unveiled a Cyber Edge policy, an insurance product designed to protect customers against the full potential impact of a cyber-breach. The solution covers financial, legal, investigative, and reputation exposures from a single premium. Similarly, IAA Insurance, introduced a new individual/family package dubbed 'Taasa' to ensure majority of the population benefits from health insurance. The product provides the customers with inpatient (in case of hospitalization) and outpatient (normal checkup and treatment visits to a doctor/health facility) services at designated hospitals and clinics.

And in 2014, AON and Jubilee partnered with MTN Uganda to introduce MTN LifeCare, a low-cost life insurance policy. According to KPMG, African countries including Uganda have one of the fastest-growing insurance industries in the world and therefore present an opportunity for investors. IPL