



Spirit of co-operation

Rasik H Patel* says operators should forge stronger partnerships to accelerate their growth in the global marketplace

Forward planning: AIO conferences (above) provide an ideal atmosphere in which the industry can work out strategies for the benefit of all; Nairobi (right) provides a base for the PTA Reinsurance Company

THE CONCEPT of regional co-operation in African insurance was first mooted 25 years ago when a small group of executives met in Mauritius to set up what is now known as the African Insurance Organisation (AIO).

The main objectives of the AIO are to promote and develop a healthy insurance and reinsurance industry in Africa, and to encourage inter-African co-operation in business dealings together with an exchange of experience and know-how, including training.

Over the past 30 years, I have witnessed the tremendous efforts that have been made by my peers in the African insurance industry to attain these goals in the face of the political and socio-economic adversities. Ever since the establishment of the AIO, regional and sub-regional insurance and reinsurance companies and pools have been established and have grown in strength.

Apart from the very successful African Reinsurance Corporation, a company mainly owned by member states of the Organisation of African Unity (OAU), there now exist a number of strong regional reinsurance companies and pools in all parts of Africa north of the Limpopo. Examples include the WAICA Re (West African insurers), CICA Re (French speaking African insurance markets), and OESAI (eastern and southern African insurers).

Another significant addition to the regional reinsurance and pooling arrangement was the launch in September 1992 of the PTA Reinsurance Company (ZEP-Re), based in Nairobi, Kenya, which began accepting reinsurance business in January 1993.

PTA Re is a member of the Common Market for Eastern and Southern Africa (COMESA) and was established by an inter-governmental agreement signed at the end of 1990. There are now 17 signatories to this agreement.

The company has made tremendous progress in widening its business base and is currently operating in 20 African countries, both within and outside the COMESA region.

The establishment of the African Aviation Pool, the African Fire Pool and the African Oil and Energy Insurance Pool have also proved a success. In the fields of insurance education and training, there has been substantial progress following the establishment of the African Insurance Educators' Agency, which is co-ordinating both regional and national training centres.

Co-operation has also been boosted by the establishment of the Association of African Insurance Brokers and Consultants, the Association of African Supervisory Authorities, and the establishment of the African Reinsurance Forum to facilitate increased reinsurance exchanges within the continent.

In an address to the the 1984 AIO Conference in the Seychelles on the subject of regional co operation, I stressed the need to concentrate available resources towards strengthening and developing all the institutions already created for exchange of business between companies on the continent. It is a matter of debate whether any significant improvement has taken place regarding effective co-operation in that direction.

Thirteen years ago I advocated that priority should be given to relaxing or modifying exchange-control rules relating to remittance of reinsurance balances by companies in Africa, not only in relation to their international reinsurance partners, but also to the African reinsurance institutions created for the purpose of inter-African co-operation.

A closer examination of this problem leads one to wonder whether any real progress has been achieved in promoting the freer flow of funds vital to sustain and strengthen these institutions. Admittedly, with the advent of liberalisation in the majority of African countries' economies, it is now possible for reinsurance balances to be settled more speedily. However, the tendency among companies in many parts of Africa seems to be one of taking African institutions for granted, both in terms of utilising their capacity and making timely settlements of balances with them.

While this problem could be attributed to difficulties in the degree of efficiency in the accounting systems adopted by individual companies, there is no justification for African institutions being treated as second cousins in these situations, especially when it has always been the stated aim of the captains of industry in all African states to strive for the promotion of regional co-operation.

The major impediment to progress in this direction may be the absence of suffi-

cient numbers of properly trained middle management personnel in the insurance industry. Although emphasis is now being given to accelerated training programmes in the insurance sector, it must be a top priority in the coming years if Africa is to strengthen its insurance markets against increasing international competition.

PERHAPS with the recent arrival of South Africa as a major player it may be appropriate for the rest of the continent to start looking at the options available to them through the highly developed insurance industry in that country. Meaningful partnerships forged in a spirit of 'give and take' between that important market and the rest of Africa would yield benefits to all. In the hard-nosed reality of the business world, it would be somewhat naïve to expect a highly developed market such as South Africa to give all its resources away without reciprocal, tangible rewards.

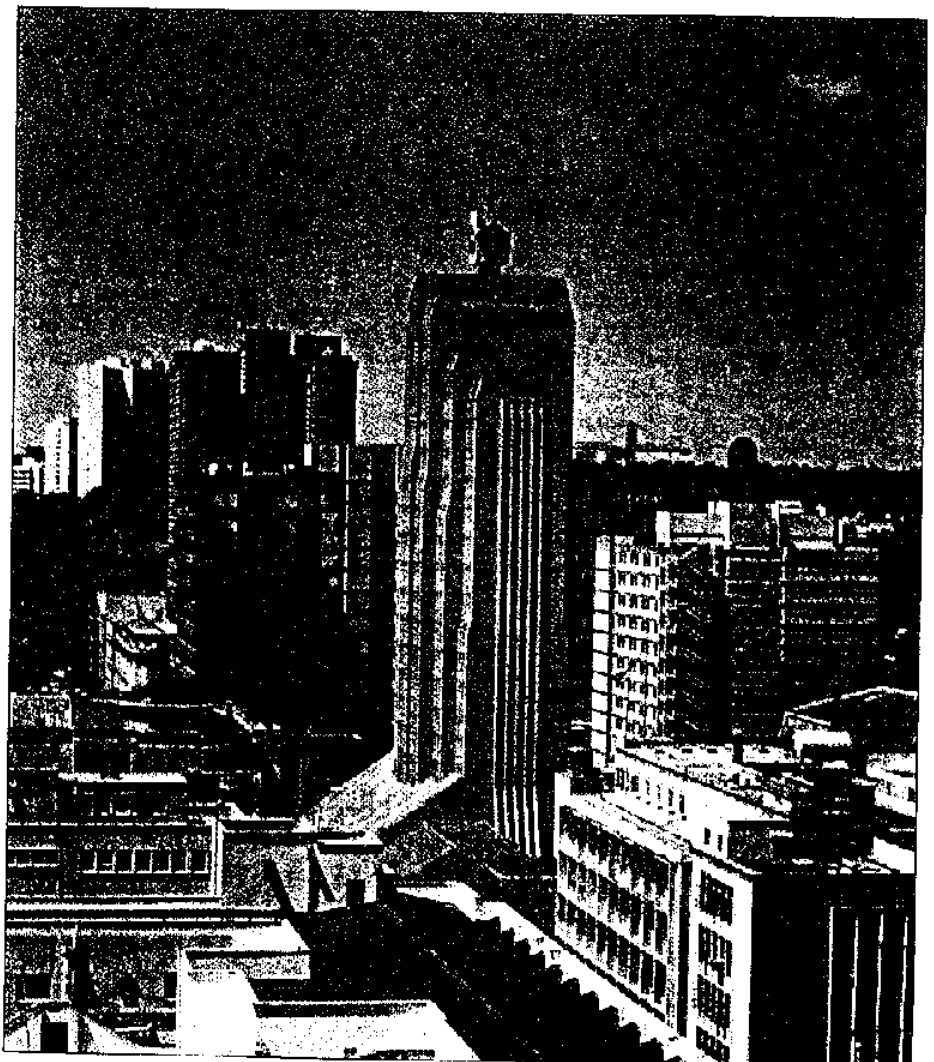
I also believe that the stronger 'partner' has much to gain by taking a long-term view of its business potential in the rest of Africa, by investing in visibly co-operative associations in the areas of knowledge and skills, with the assurance that such input would be amply rewarded in the years to come.

In addition, it is gratifying to see that the traditional reinsurance partners of the African markets, such as the Munich Re and Swiss Re, have continued to provide the technical expertise and support in addition to much needed reinsurance capacity, albeit through their South African operations. The ever-changing insurance scenario in the African continent will continue to benefit from the highly professional, financial and technical support of these major partners.

In conclusion, I strongly believe that the African insurance industry is capable of facing up to the challenges of the future. To achieve this, it is vital that priority is given to the reduction of its current over-reliance on the international insurance and reinsurance markets, not only for capacity but also in the areas of rating of risks, underwriting, loss adjusting, broking and human resource development.

The level of co-operation that has already developed among African countries and their insurance markets should now be accelerated with the aim of securing a rightful place and role for the African industry in the global market place. ■

**Rasik H Patel is director of Afro Asian Insurance Services Ltd.*





AFRICAN INSURANCE AND REGIONAL CO-OPERATION

By Rasik H. Patel, Director Clarkson Puckle International Limited



Mr. Rasik H Patel

Mr Patel was born in Bumbuli, Tanzania in 1936. He now lives in Stanmore, England with his wife and son.

After schooling in Tanga, Tanzania he qualified as a teacher in Nairobi, Kenya and thereafter returned to Tanzania to pursue his teaching career. This led to a Headship in Dar es Salaam, Tanzania where he was in charge of the Upanga Primary School which at that time had 1,400 pupils and 42 staff.

In addition to being Headmaster, from 1963 until 1965 he was also Chairman of the General Entrance Examination Selection Board for the Coast Region of Tanzania. During this time he developed a keen interest in local, national and international affairs which culminated in him developing a close association with the media and in particular he became a regular part-time radio programme contributor. Rasik Patel was a well-known newsreader and

commentator on the English Service of Radio Tanzania for over six years.

As with many eminent insurance personalities, Rasik Patel initially drifted into the industry but thereafter it became part of his bloodstream. He began his insurance career as a part-time agent to the Life Insurance Corporation of India and subsequently as a full-time Office superintendent with the Crusader Insurance Company's office in Dar es Salaam, Tanzania. He was a founder member of the Insurance Institute of Tanzania and is one of its past Presidents.

He joined his present employers Clarkson Puckle Group, in Tanzania in 1967 and after a series of promotions (which gave him the opportunity of gaining first hand knowledge of the Zambian, Tanzanian and Kenyan markets) he moved to London where he now directs the Group's Afro-Asian development operations. He is a widely travelled man and has regularly attended most of the African and Afro-Asian Regional Insurance Conference in the past ten years in addition to contributing by way of papers at these meetings.

Undoubtedly Rasik is one of the few insurance and reinsurance brokers of international stature that Africa is proud to have produced and is known to many fellow professionals throughout Africa, Asia and Europe.

Mr. Chairman, Distinguished Guests, Ladies and Gentlemen,

I am honoured and pleased to speak before this audience and would like to thank the Organising Committee for having asked me to talk about African Insurance and Regional Co-operation.

Most of us present here are hard-nosed men of affairs, which we have to be in order to succeed in business. I know therefore that if I indulge in any plain speaking you will appreciate it rather than condemn me for it.



Although this topic has been discussed under one title or another at previous conferences and seminars I believe it is useful to indulge in this type of "stock-taking" periodically.

What I am going to say today is not therefore new, but I hope I shall have succeeded in stressing once again the necessity for co-operation at sub-regional, regional and finally at international levels in the field of insurance and reinsurance.

The concept of insurance is not new to Africa. However, it must be admitted that insurance and reinsurance as they are practised today were economic activities alien to the indigenous population of Africa until the arrival of the foreigner. The colonial administration or the foreign trader introduced insurance in its modern form as a better organised economic activity.

Organised co-operation is also not a new concept for African communities who have long felt the necessity to co-operate in various fields of human activity to ensure survival or "self-existence" at a family or tribal level or even at a territorial level.

This was amply demonstrated by the communal efforts of harvesting, hunting and fishing, which were shared by groups of people living together, whether they were agricultural, pastoral or nomadic communities.

The continent of Africa cannot be regarded as homogeneous, as even the various nations making up the O.A.U. have very few similarities and widely differing social, cultural, political, religious and historical characteristics. It is therefore most creditable that the African insurance industry has been able to make such impressive progress in such a short span in the history of modern insurance in the continent.

During the post-independence era many African countries evolved their own priorities in relation to economic development and consolidation of political power. **An essential pre-requisite for such an undertaking was the necessity to conserve foreign exchange which was being drained away from the point of view of the Third World, including Africa. Thus, it became necessary for the state to promote the formation of Insurance companies with local capital or shareholding.** In instances where private entrepreneurs were reluctant to step in, or where such private capital was not available, or where a government considered it expedient to

step in with a view to channelling the funds to development programmes of high public interest — in all such instances government involvement in insurance led to the formation of state owned insurance or reinsurance companies, eventually leading to a nationalised market in a number of countries. It also led to the demand for compulsory cessions to the national companies from existing companies which, in turn, were either wholly owned by foreign interests or partly owned by local capital.

The main objective of controlling and regulating the insurance industry through state intervention has now been achieved in most countries in Africa. However, there is now great concern in many quarters over the number of smaller insurance companies being formed in some markets. The view held by them is that African countries do not have enough trained or qualified personnel to manage their industry, and that the real growth of business in the present economic environment of most African countries does not justify formation of new companies. They believe that unless urgent steps are taken to stem this tide the African Insurance industry, especially in countries with "mixed" markets, may be running the risks of unhealthy competition and unscrupulous practices leading to general loss of faith in insurance and to eventual failure of some insurance companies.

The past twelve years or so have seen the establishment of new national and regional reinsurance companies and the formation of regional reinsurance pools in Africa. Examples of these are the Kenya Re and the Nigeria Re on a national level, the Africa Re on a Pan-African level and the "WAICA Re" and "CICA Re" on a regional level. Thanks to the friendliness which exists between African nations, especially in the commercial world, the level of inter-territorial and regional co-operation has been quite high among insurers and insurance supervisory authorities of independent African states. In Eastern Africa this has resulted in the exchange of business and the setting up of the O.E.A.I. Fire Pool following the formation in 1974 of the Organisation of Eastern African Insurers. This association groups together all English speaking countries of Eastern and Central Africa, plus Madagascar. O.E.A.I. members are also planning to establish an insurance training centre for member companies of the region.

On the other hand the regional grouping of the French-speaking African insurance markets under the Conference Internationale des Contrôles d'Assurance (CICA)



has worked extremely well for a number of years now. Long standing reinsurance pooling arrangements between member companies have now resulted in the formation of "CICA Re". They also established an insurance training institute for middle management from CICA countries in Yaounde in 1974.

In West Africa the markets of the English speaking countries of Nigeria, Ghana, Sierra Leone, Liberia and Gambia formed the West African Insurance Consultative Association (W.A.I.C.A.) in 1972. As mentioned earlier, the Association now operates a reinsurance pool which is currently in the process of being converted to a regional reinsurance company. In addition, W.A.I.C.A. already have a well established insurance training institute in Monrovia, Liberia.

In Arab North Africa, where most of the advanced markets in the African continent are to be found, both national and regional co-operation has been quite strong. Due to favourable factors such as common language, earlier independence and a higher level of industrialisation the markets of those countries have enjoyed a much more sophisticated level of development than their counterparts in English or French-speaking independent African countries. The companies in Arab North Africa have made a significant contribution over the years to the successful development of the Pan-African insurance market through the African Insurance Organisation. They themselves are also members of the General Arab Insurance Federation.

In recent years the English-speaking East and West African insurers have held seminars under the joint auspices of WAICA/OEAI. Attendance at these educational conferences has been most commendable, and the quality of lectures and discussion has been most commendable, and the quality of lectures and discussion has been of a very high standard. Despite problems of communication and the availability of hard currency funds to finance such joint meetings, one cannot fail to admire the sense of purpose with which the officials of these two regional groupings persevere in their serious attempts to organise conferences on a regular basis.

On the Pan-African level the successful establishment in 1976 of the African Reinsurance Corporation, under the joint ownership of some 36 African governments and the African Development Bank, was a major landmark in the history of regional co-operation in the field of insurance and reinsurance in Africa. The main purpose of

Africa-Re is "to foster the development of the insurance and reinsurance industry to promote the growth of the national, regional and sub-regional underwriting capacities and to support African Economic development". Africa-Re is also expected to co-operate with the international insurance and reinsurance markets. The record of this regional institution in its six years of operation has been good. Apart from profitability the success of a regional venture should be measured from the standpoint of its contribution to the promotion of regional and sub-regional co-operation. In this latter aspect the record of Africa-Re and all its officials is praiseworthy.

For the sake of good records, and even at the risk of stating the obvious, mention must be made at this point of the African Insurance Organisation (A.I.O.). This body was formed in 1974 as a direct result of the first ever meeting of English and French speaking insurers in Mauritius in June 1972 — i.e. the first African Insurance Conference.

Apart from organising the annual African Insurance Conference the A.I.O. now has a full-time Secretary General based in Nairobi, Kenya. In the short time since he assumed office in July 1981 the present Secretary General has shown exemplary zeal in promoting closer contact between the A.I.O. and other regional associations in the Continent.

A good start has also been made towards regular African insurance publications and market research. The high quality of the A.I.O.'s publication "African Insurance — Annual Review 1983" is an excellent example. The secretary general's task of promoting closer relationships between the English speaking and French speaking African insurance executives is most challenging. However, given the goodwill and co-operation of the A.I.O. leadership this most desirable goal should not prove impossible to achieve.

As we have seen from the foregoing the African insurance and reinsurance industry has made significant progress over the past twelve years or so. **National and regional markets are stronger than they have ever been before the measures mentioned earlier were taken to develop these markets. The quality of insurance service has improved at national levels with more indigenous companies or individuals selling insurance to the public than ever before.** The insuring public has also become much more aware of their rights and obligations under a



contract of insurance which, in turn, has led to a demand for more and better forms of cover and for prompt payment of claims. I believe that the impressive growth of insurance business that we have witnessed in the past decade cannot be sustained — let alone improved — in real terms unless urgent steps are taken by national and regional insurance associations to meet the growing demand for new products and improved service.

One wonders therefore if the efforts currently being made by regional and national associations in this direction could not be intensified in the interests of the African Insurance market as a whole.

The rapid development of the insurance industry in some African countries has created a vacuum in the middle management level of insurance companies operating in these markets. With little or no emphasis being given to training of insurance personnel at the same time, the situation in some markets could be potentially dangerous. I believe that the need for training is so urgent that it should be the over-riding responsibility of all the members of the A.I.O. to accelerate the existing regional co-operation on this most important question. To achieve effective regional co-operation there must exist among the participants a commitment to shed a narrow and sectarian outlook. The participants must have common goals and interests, the furtherance of which should be their over-riding aim. This is all the more difficult to achieve in the field of insurance and reinsurance than in other economic and commercial activities. For example, in the sharing of business within a reinsurance pool there are bound to be continuous disparities in premiums and claims. The tendency to highlight these would inevitably arise unless conscious steps are taken by all parties to check such tendencies. Likewise, in the field of training of insurance personnel it is necessary for some positive assistance to be given by the more experienced countries to those newly emerging with an insurance industry regardless of national or narrow corporate considerations.

A number of African countries enjoy their own insurance training institutions in addition to internal training programmes within the companies. Quite often, these institutions and programmes employ resident or visiting lecturers of high international standard. The training programmes range from those designed for middle management to specialist training in the peripheral services offered by the insurance industry — e.g. loss adjusters,

surveyors etc. These latter services, apart from actuarial services, are very expensive additions to the basic financial set up of an insurance company. Many of the African insurance executives present at this Conference have local resources within their own companies or countries, which perhaps with a little effort and imagination could be adapted to a company or companies in a neighbouring country who have a considerable shortage of such services.

This type of generosity has its own rewards. The older insurance centres only developed rapidly in size when they looked outside their own borders for business opportunity. The fact that they invested overseas, both financially and with manpower, added immensely to their internal strength. One has only to look at our reinsurance friends from Germany and Switzerland, and see their dependence upon overseas business to generate local profits, to understand the importance of looking firstly to neighbours and then overseas territories to develop a strong insurance business.

One of the objects of the A.I.O. is the promotion of better understanding among insurance personnel and insurance organisations of the various countries of Africa. Whilst the Secretary-General of the A.I.O. and the Executive Committee members have worked tirelessly and most commendably over the years to realise this objective, and considerable progress has indeed been made in this direction, **there now seems to be a need to involve more and more young and middle management staff in insurance conferences and conventions. Apart from the obvious benefit of meeting their counterparts from other countries under one roof, the young managers would be better placed to follow up certain conference resolutions than their over-worked senior managers.** This could lead to more unified action on matters discussed and to a better appreciation of regional and Pan African insurance problems.

It is true that African Insurance and Reinsurance companies have made a good start in promoting exchange of business on a regional level. It is also an acknowledged fact that there is a common desire among African companies to co-operate in this area.

The regional pools already created, as well as the African-Re together fulfil the objectives for which they were established. The question now arises whether there is any room for improvement in the matter of exchange of



business between companies and, if so, what steps could be taken to promote effective co-operation to achieve it.

There is no doubt that expansion of reciprocal exchange within Africa is both possible and desirable. However, it can be better implemented if priority is now given to concentrating available resources towards strengthening and developing the institutions already created for this purpose. At the same time joint market research and new product design for the whole continent should be more vigorously pursued. Priority must also be given to taking insurance to the average man, not only in the urban area but more importantly in the villages where most of the population of African countries lives.

In other words, in the present state of the world economy African insurance companies cannot afford the luxury of experimenting with new ideas without first ensuring that whatever development has been achieved to date is strengthened before taking the next step towards expansion of regional and other institutions.

In recent years the problem of slow remittance of balance due to international reinsurers has become so acute that the international reinsurance industry has been forced to take unprecedented steps to rectify the situation. In common with companies in a number of Third World countries, most African Insurance and Reinsurance companies have been unable to remit reinsurance balances to international reinsurers. This also applies to remittances due to the Africa-Re and other regional institutions, as the respective exchange control regulations apply equally to both inter-African as well as international transactions. In such a climate it is difficult to see what benefit can be derived from increased exchange of business on a regional level, as even Africa Re is in no better a position to receive balances due to it than, say, European reinsurers. It becomes apparent therefore that unless Governments of African countries are prevailed upon or persuaded to relax or modify Exchange Control rules relating to remittance of reinsurance balances, African Insurance and Reinsurance companies run the real risk of losing the support of international reinsurers. One can only hope that the authorities will address themselves to this worsening problem as a matter of urgency. Otherwise, the development of the African Insurance industry is threatened.

On the other hand, the international reinsurance industry has a more positive role to play in Africa now than ever before. It must be admitted that foreign insurers,

reinsurers and brokers stepped into this region not only for the purpose of filling a gap in the economic structure of developing Africa. They collected a substantial premium from the African Market. Countrywise the amount of premium that was generated in the African Market was fairly large, and the profitability of African insurance business has been quite good. With the recent declining results of some African markets and the deterioration of the remittance situation we have seen the hurried departure of a number of reinsurers from the African scene. Incidentally, a closer examination would reveal that a number of these companies were the first to rush into the African market when the spectacular expansion and growth of African insurance and reinsurance business started ten years ago. It is therefore commendable that the international insurers, reinsurers and brokers, in particular those with traditional links with the African Market have continued to lend their support to it in these difficult times. Perhaps it may be pertinent at this point to suggest that regional organisations and institutions could play a useful role in resolving this whole problem by promoting a dialogue amongst the co-operating countries with a view to promoting healthy relations between the African and international markets.

In conclusion, Mr. Chairman, I would like to state emphatically that regional co-operation in the field of insurance and reinsurance in Africa has been a success story far beyond the expectations of its originators or planners. Despite problems of communication, size and differing legal systems and socio-economic disparities, the countries represented by most of you at this Conference have accomplished much in a very few years.

May I suggest that it is the small things which can cause discontent and misunderstandings which result in a fall-off of inter-territorial business. Highlighting some of the difficulties I might mention accounting systems and delays in payment without apparent good reason. Such problems are not unique to Africa but they cannot be ignored. They usually arise from the non-availability of intermediate managers to cope with these problems.

Most of the executives present at this Conference are perfectly capable of putting their points of view across to international reinsurers and brokers. I would go further than that and urge them to demand assistance in specific areas and services from overseas companies when they are setting up their reinsurance treaties. As I mentioned earlier, those African companies with special facilities can share with the less fortunate members of the O.A.I.

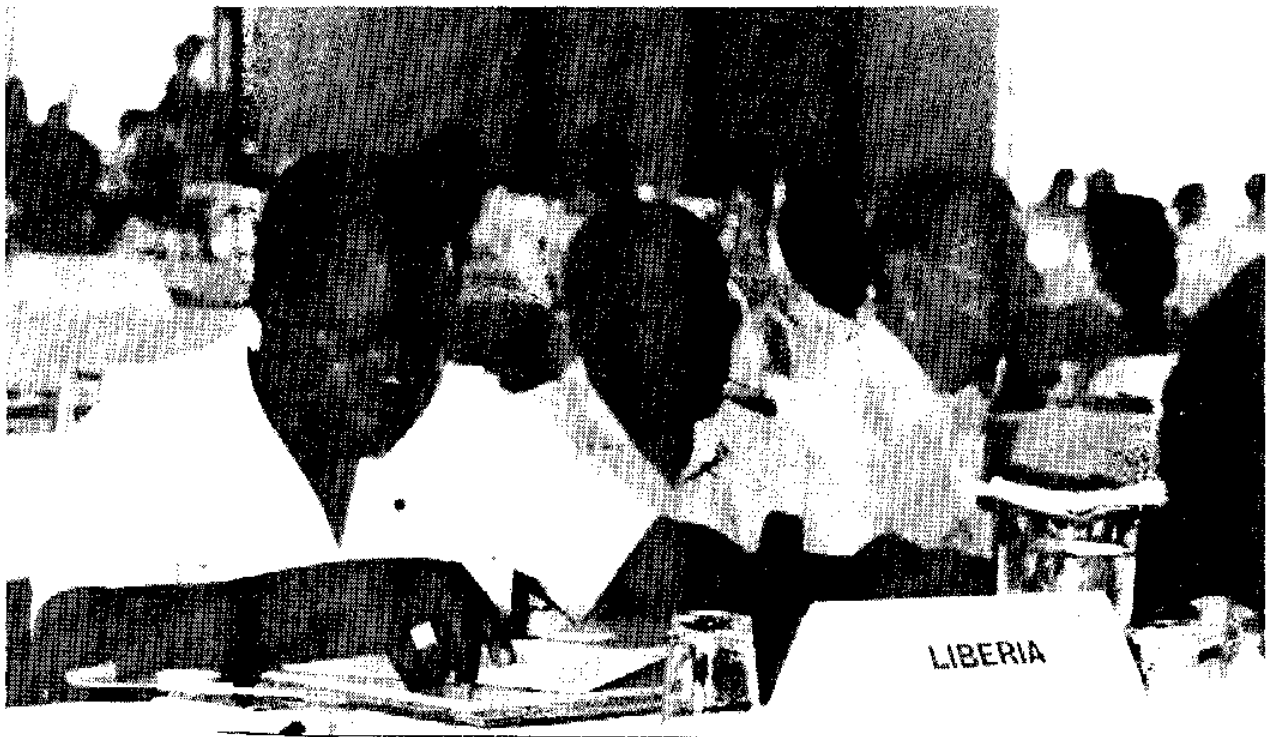


"Charity begins at home" goes the saying. Nowhere is it more true than in the insurance industry, which has a fortunate pattern of providing bonuses to the provider out of all proportion to his input.

Finally, may I congratulate you on the great strides you have already made in the framework of mutual co-oper-

ation. My colleagues from overseas present at this Conference applaud your purpose and hope that you count us among your friends who are always willing to offer advice and counsel in developing your special ideas in this direction.

Thank you for your attention.



Participants of the 11th Conference