

THE OFFICIAL MAGAZINE OF KENYA REINSURANCE CORPORATION LIMITED

RENEWSMAGAZINE

2022 ISSUE 03



MAIN STORY:

 [KENYARE.CO.KE](https://www.kenyare.co.ke)

A GOLF DAY WORTH EVERY TIME AND DIME SPENT

KENYA RE MD ON FINANCIAL
FORTUNE COVER FEATURE

KENYA RE RECORDS IMPRESSIVE
(HY) FINANCIAL RESULTS

Expected trends for the
(Re)insurance industry in 2023

Don't let a text message cost your life

It only takes a split second for a distracted driver to cause a fatal accident. Don't let your phone be the reason for a tragic outcome.



Kenya Re is ISO 9001:2015 and ISO 27001:2013 Certified
Rated B (Fair) by AM Best International Rating Agency
and AA+ by Global Credit Rating (GCR).



Mr. Jadhiah Mwarania, OGW
Managing Director

Word from the Managing Director

Hello Reader,

Welcome to the latest edition of our corporate newsletter. This quarter has seen a manifestation of our commitment to the value we offer our stakeholders on various fronts.

It saw us announce our Half Year Financial Results for the period ended 30th June 2022. Some of the wins that we are pleased to report include a growth in The Corporation's asset base. We also registered a 56 percent increase in profit before tax, a total of KSh 1.19 billion, compared to KSh 0.76 billion reported during the same period last year. Net earned premiums increased by 12% from KES 8.69 billion in 2021 to KES 9.77 billion in 2022, while gross written premiums increased by 15% from KES 9.59 billion in June 2021 to KES 11.0 billion in June 2022. I thank all our stakeholders who made this milestone possible. This is a win for all of us.

To foster positive business relations, we concluded the Annual Corporate Golf tournament at Karen Country Club. This social event has grown over the years to become a unifier for Kenya Re, industry players and our partners, who come together to contest for various corporate golf prizes. Congratulations to the winner of the day, Karen Country Club's George Ochira, who beat a strong field of formidable contenders to lift the title.

We are also excited to share that the Corporation was featured in Business Daily newspaper, where we provide thought leading insights on how a shift towards prioritising people over profits and shareholders can lead to increased employee potential, innovation, and overall business performance. In another interesting interview with the Business Fortune Magazine, I had the opportunity to discuss our successes this year and our projections for the rest of year.

We look forward to continuing to bring you updates on our progress and developments.

See you in the next edition!



Sylvia Karimi

Ag. Manager, Corporate Affairs

Word from the Editor

Hello Reader,

Welcome to the latest our newsletter. This edition captures insights from the insurance industry in Kenya and some of the shifts that the sector is experiencing currently and developments expected to take shape come 2023. As with other businesses, ours is a sector that is also influenced by developments in other sectors. We highlight forms of insurance that you should keep an eye on this year and going forward, including climate change insurance and agriculture insurance. These types of insurance are becoming increasingly important as the effects of climate change continue to be felt across the world. Read about how reinsurance plays a crucial role in risk transfer and risk mitigation.

With the ongoing pandemic continuing to impact the global economy, it's more important than ever to stay informed about

the latest developments in the insurance industry. We therefore outline some of the expected insurance trends for 2023. Read through how (re)insurers are leveraging technology to make their offerings more customer centric and the role that collaboration will continue to play in registering growth for the sector.

We also peek into Kenya's insurance sector. The country has seen a significant growth in the insurance sphere over the past few years and we give you an inside look at how the industry operates in this part of the world, including which are the best performing areas and where gaps continue to be registered. The start of 2023 signals the start of the implementation of the new International Financial Reporting System (IFRS 17) which will require insurers to be compliant with requirements of the standard.

Aside from industry news, we also highlight top stories that made headlines this quarter, such as how Kenyans consumed Safaricom's money lending service, Fuliza. We also bring you news of a \$20 million private equity fund targeting renewable energy by the African Development Bank in sub-Saharan Africa, and how it impacts renewable and sustainable energy, decarbonisation, decentralisation and digitalisation as the key climate mitigation and energy transition strategies.

We hope you find this edition informative and engaging. We welcome your feedback and suggestions for future topics to cover.

Sincerely,
Sylvia Karimi

Editor-in-Chief

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INDUSTRY NEWS



A peak into Kenya's reinsurance sector

The insurance market in Kenya is robust, but also relatively small compared to the markets in the more developed countries. Kenya has 49 registered insurance companies that provide general and life insurance. However, the others also offer composite services thus selling both life and general insurance.

There are three locally incorporated and two regional reinsurers in Kenya. The local companies include Kenya Reinsurance Corporation, East Africa Reinsurance Company, and Continental Reinsurance. Africa Reinsurance Corporation and PTA Reinsurance (Zep Re) make up the regional reinsurers. In addition, there are other reinsurers operating in Nairobi including Cica Re, Ghana Re, Munich Re liason office and Waica Re.

The industry is regulated by the Insurance Regulatory Authority (IRA) of Kenya through the Insurance Act (Amended 2015) with accompanying guidelines and regulations. The guidelines and regulations include the Insurance Industry Prudential Guidelines (2013), Index Insurance Regulations, and Micro Insurance Regulations (2014).

With the rapidly growing middle class having sizeable disposable income, the market growth is promising. Insurance buyer behavior has shown that as disposable incomes rise, insurance customers tend to choose their products with the most immediate protection. For instance, they consider medical insurance first, followed by life insurance and then wealth

management products. Where motor insurance is compulsory, it allows insurers to cross-sell other products particularly when they are informed by data analytics about customer segments.

Otherwise, the insurance penetration rate in Kenya was very low at 2.43% in 2019 compared to the total insurance penetration averaged 9.6% in advanced markets in the same year and reached nearly 20% in Taiwan.

According to Insurance Regulatory Authority (IRA) Report 2020, the long-term insurers' premium grew by 6.6% from KES 69.67 billion reported in Q3 2019 to KES 74.31 billion in Q3 2020. At the same time, their asset base grew by 11.6% to KES 486.98 billion and largely composed of income generating investments of KES 449.32 billion. Of the total assets, 10.4% (KES 50.67 billion) was funded through shareholders' equity.

In Q3 2020, general insurance premiums recorded a marginal decrease of 0.1% to Kes105.10 billion compared to a growth of 3.7% recorded in quarter three of the previous year. The general insurance business underwriters incurred claims amounting to KES 43.43 billion as at end of Q3 2020. The claims incurred loss ratio decreased to 63.3% during this period from 65.3% reported in Q3 2019. The general insurance business underwriters reported an underwriting loss of Kes 879.28 million compared to an underwriting loss of KES 2.66 billion reported in Q3 2019.



In Q4 2020, the industry gross written premium stood at KES 232.95 billion as at end of Q4 2020 representing an increase of 1.8% from KES 228.80 billion in Q4 2019. General insurance business underwriting results improved from a loss of Kes 2.97 billion in Q4 2019 to a loss of Kes 1.18 million in Q4 2020. This could be due to the decrease in incurred claims and management expenses during the lockdown due COVID-19. On the other hand, the reinsurers' business volume increased by 5.9% to 26.23 billion in Q4 2020 (Q4 2019: Kes 24.78 billion). The reinsurers' underwriting results improved significantly from a loss of Kes 2.15 billion in Q4 2019 to a profit of Kes 351.54 million in Q4 2020. This was due to increase in net earned premium income and decrease in management expenses.

The emerging operating environment calls for the insurance industry players in Kenya to re-organize their strategic models, re-engineer their workforce to be more receptive to the new normal with capacity to innovate new products that are responsive to the current challenges in the industry. They should ensure industry stability by innovating products to secure threats from cybercrimes, efficient digitized services through IT solutions and quick decision-making processes that resonate with the expectations of the clients. This will help check encroachment by the external market players from eating into the internal market share as consumers look for efficient, timely service delivery and risk management solutions.

Insurance companies like their global counterparts must also start preparing for the implementation of the new International

Financial Reporting System (IFRS) 17 coming into effect on 1st January 2023. The business pressures that COVID has brought has meant that insurers will need to be more focused on an efficient financial reporting transformation to be compliant with the requirements of the standard.

Kenya's life insurance companies are now required to value their reserves on a Gross Premium Valuation (GPV) basis which brings the industry closer to international best practice. The IRA already requires a qualified actuary to independently assess the insurance liabilities which contribute to greater confidence on the part of investors and the market. IRA is also implementing risk-based supervision to give insurance companies and investors more confidence in future capitalization. This places the insurance sector in Kenya position in line with leading economies thus enhancing international acceptability.

The industry trend in Kenya will witness continued partnerships with other financial services players including fund managers who have ventured into offering insurance linked products as well as bancassurance relationship with Banks. Insurance companies will want to leverage on the penetration of bank products to also push insurance products. Policy payments through mobile money platforms will increase as mobile usage penetration grows in the country.



SEAMLESS STABILITY

We are a pioneer in providing reinsurance capacity and technical expertise to both local and international markets. We continue to increase our retention capacity and reduce the need for external reinsurance cover purchases. Improving the product and service components of local insurers through training is at the core of our Marketing and Business Development agenda.



KENYA RE IS ISO 9001:2015 AND ISO 27001:2013 CERTIFIED. RATED B (FAIR) BY AM BEST INTERNATIONAL RATING AGENCY AND AA+ BY GLOBAL CREDIT RATING (GCR).



A GOLF DAY WORTH EVERY TIME AND DIME SPENT



BY LIBERTY JULIE

The Corporation, on Friday - 2nd September 2022, successfully held its Annual Corporate Golf tournament at Karen Country Club, Nairobi. The tournament brought together Kenya Re stakeholders in a bid to foster positive business relations. The well attended social event attracted participants from Kenya Re, industry players and partners who contended for various corporate golf prizes.

Karen Country Club's George Ochira playing off handicap 10.8, fired 43 stableford points to win the Kenya Re Corporate Golf Day tournament on Friday at par 72 Karen Country Club in Nairobi. Ochira beat Gitau Ngaruiya who held 42 points to lift the title.

Speaking on behalf of Kenya Re Chairman - Hon. Dr. Catherine Kimura, Kenya Re Director – Mr. Irungu Kirika, applauded the players' performance requesting them to replicate the dedication and drive within their respective workplaces. In attendance at the golf tournament were Board Directors Mr. David Muthusi and Ms. Eunice Nyala.

On her part, speaking on behalf of Kenya Re Managing Director - Mr. Jadhah Mwarania, GM – Finance & Investments - Mrs. Jacqueline Njui, thanked the golfing fraternity for the confidence they have demonstrated in our brand in the many corporate golf tournaments we have hosted as Kenya Re over the years. Also in attendance at the golf tournament were members of the Corporation's Management and staff.



KENYA RE RECORDS IMPRESSIVE (HY) FINANCIAL RESULTS

BY EDWIN MUTHABUKU



Pursuant to the Capital Markets (Securities) (Public offers, Listing and Disclosures) Regulations, 2002 and all other applicable regulations, the Corporation has today released the 2022 Half Year (HY) Financial Results for the Half Year ended 30th June 2022.

The 2022 Half Year Financial Results were released to the general public through two widely circulated newspapers that is, the Daily Nation and Standard Newspapers.

The Corporation has posted a 56 percent increase in profit before tax of KSh.430 million more to stand at KSh.1.19 billion compared to KSh.0.76 billion reported during a similar period last year.



KENYA RE STAFF TRAINED ON ELECTIONS SECURITY



BY LIBERTY JULIE

The National Police Service, Directorate of Corporate Communications, conducted a three-day sensitization and training program on election preparedness and security. The three-day training, which was facilitated by the Property Department, precisely the Security team, commenced on Monday, 1st August 2022 and was concluded 3rd August 2022. The trainings, which saw staff participate in groups, took place at the 17th floor, Banqueting Hall of Reinsurance Plaza, Nairobi.

The training was aimed at equipping **ALL Kenya staff** with knowledge on various issues, including security preparedness

during the electioneering period, the role of the National Police Service during elections, the role of citizens during elections, handling election offences, tackling Sexual and Gender-Based Violence in relation to elections, dealing with civil unrest, fostering community policing, amongst other related topics.

This training was very timely as Kenya gears up for the General Elections on Tuesday, 9th August 2022. It augments the security agencies' efforts in ensuring peace and harmony prevails during and after the polls.



BY ANDREW REAGAN ONGICHA

KENYA RE FEATURES IN BUSINESS DAILY'S EDGE PULLOUT

Salary aside, how else do you show employees that they matter? Companies, large and small, have shown how a shift to people instead of solely focusing on profits and shareholders can ignite employee potential, increase innovation and catapult a business to impressive performance.

The quarterly Edge issue of the Business Daily newspaper published today looks at the role of people and culture directors, the throbbing gig economy and how it is easing

unemployment in Kenya, what the employer and employee want, the metrics that organizations can use to measure employees' love for work and how personality tests are enabling companies to get the right hire.

Our Managing Director, Mr. Jadhav Mwarania – OGW, caught up with Business Daily's Otiato Guguyu in an interview and he shared Kenya Re's strides towards building a workplace that its employees love and hold a sense of pride and belonging.



BY EDWIN MUTHABUKU

Expected trends for the (Re)insurance industry in 2023

Expected trends for the (Re)insurance industry in 2023

As the world keeps evolving, the world of insurance and reinsurance has also evolved to reflect trends in markets across the globe. 2022 has seen some interesting shifts including growth of technology adaptation, which is projected to grow in 2023. As we move forward, below are some projections of trends expected to take shape further in 2023 and beyond.

1. Fast tracked digital transformation and automation

Customers are increasingly gravitating towards products and offerings that provide convenience. They want to be able to access services anywhere and anytime. As a result of this

demand, many financial sector players are adapting their businesses to provide solutions such as mobile banking, and internet banking in order to reach underserved markets. As much as there is a digital transformation wave sweeping the industry, much of essential business services by re(insurance) providers are still pegged on legacy technologies, posing a huge technology gap. In 2023, proactive (re)insurance providers will develop new capabilities at every customer touchpoint, such as customer support, claims management, transactions, and overall customer experience enhancements. These changes will push providers towards the use of cloud services to gather, store, and analyze numerous amounts of client data, the use of AI in operations among other advances.



2. Reinvention and evolution of products for nonlife coverage

Recent times have seen a re-invention of coverage types to include innovations that are coming up in the small markets. The global transition on issues such as climate change, green energy, cryptocurrency, and nonfungible tokens (NFTs) will provide opportunities to expand offerings for (re)insurance companies in 2023 and onwards.

3. Focus on environmental, social, and governance (ESG) will become bigger

2023 will see more scrutiny for companies including (re)insurers on how effectively they reduce the effects of climate change and other emerging systemic environmental risks. Stakeholders will also be keen to know how companies are addressing carbon emissions at their source, how they are diversifying their leadership and workforce, improving the inclusivity of their products and services, and increasing transparency and accountability in their governance structures will likely be evaluated in addition to the plans outlined in their annual sustainability reports.

4. Increased investment and expansion into Kenya and the region

Africa's insurance industry is expected to increase at a compound annual growth rate of 7% through 2026, greatly outpacing the \$70 billion reported in 2020, according to

Research and Markets. The opportunity is largely presented by the huge untapped market, and local, regional and global players are taking notice. They are making strides to invest in the market, and this is bound to increase in 2023 going forward. Early this year, German company Allianz announced a partnership with Sanlam, which will see a joint venture that will combine the two giant's operations to form one massive non-banking financial services entity on the continent with a combined group value of over \$2 billion. Other than such partnerships, expansions will take the form of rebranding's and leveraging technology to broaden the presence of scope of offerings for Africa.

5. Convergence and collaboration are the future

Insurers must have access to a lot of computational capacity and use methods like machine learning in order to comprehend and value the nature of cyber threats. Insurance companies could try to form partnerships in order to access these complementary assets as they are unlikely to have such technology on hand.

Insurers must manage the risks associated with cooperation, innovation, and value-chain integration if they are to really embrace these disruptive developments. Another key driver of collaboration is the entrance of Insurtechs and startups in the region and the continent. Many of the companies are poised to partner with insurers to open new customer groups and to improve internal processes and profitability.



Build the resilience of pension culture for sustained social-economic health at old age



BY ANDREW REAGAN ONGICHA

Millions of Kenyans retire to a life of misery because they do not have access to retirement funds. The picture of the old wallowing in poverty in villages is becoming increasingly common, and one that needs to be mitigated now before the situation becomes worse. Unlike in developed nations where the state and families have strategies to keep a relatively decent life for aging populations, Africa's aging generation is left at the mercy of family and society to take care of them.

The country has a population of over 51 million people, and a growth rate of 2 percent. A recent report by Zamara Kenya on pensions revealed just how big the problem is. According to the report, only 17.7% of the employed population save on pension. It further revealed that 83.2% of those in the informal employment sector have no access to pension savings. In

comparison, the public sector has more coverage than the private sector, painting a need to build coverage and bridge the gap.

The government and stakeholders in the sector have put in effort to increase the saving culture among Kenyans. The government is continuously making changes to laws that will contribute to saving for the future. In 2021, it altered terms of the Individual Pension Plan Schemes (IPPS), The Occupational Retirement Benefits Schemes and the Umbrella Retirement Benefits Schemes. Some of the changes made were to the use of saved pensions funds, limiting how much can be withdrawn upon instances such as early retirement, and after a change of pension schemes. According to local studies, 95% of members who quit their jobs take the maximum amount of benefits each

time they switch companies. This results in minimal retirement income as a result of depleted retirement funds.

These measures have however not always been met with the best reception. When President William Ruto made known plans that his government wanted to increase the fees contributed into the National Social Security Fund (NSSF) from the usual Ksh 200 per month to up to 6 percent of an individual's income, backlash ensued.

Most of the reasons why Kenyans are reluctant to save are known. Studies show that developed countries save more than developing countries because they have more disposable income. There is a direct correlation between literacy levels and saving culture. Lack of trust for saving institutions also influences the choice to save for Kenyans. With a few well invested steps however, this trend can be reversed with time.

What can be done?

Demystify pension saving. An untapped segment of Kenyans without pension do not know that individuals can take up pension for themselves. Many believe that one must be employed to contribute to a pension scheme. Others have limited information on the type of saving products available to allow flexibility. More Kenyans are learning the value of putting their money where it will work for them. Other than investing in traditional pension schemes, more information needs to be spread about investing in areas such as Money Market Funds, Life Insurance Policies and trading in government bonds and bills. The Sacco culture is testament that Kenyans have the potential to invest more in areas where they see value for money.

Innovate saving methods. After making information readily available, it is important to make saving platforms more accessible. The world is becoming fast paced and people are more receptive to products that are not hard to access or sign up to. Despite the technology growth witnessed in the country, the pension business still runs on paper-intensive procedures, which are not ideal for those who prefer to make decisions while on the go. Those who innovate are breaking into a space

with a good market. The Chumz app for example, is changing the saving culture among young people. It allows one to save any amount of money as frequently as possible and it gives users the benefit of tracking their saving progress, set goals and earn interest on their saving. Innovating and automating long term saving will go a long way to onboard more people.

Build trust and mitigate fraud. Although not rampant, the media is often studded with news of fraud within pension schemes, where Kenyans contribute savings for years only to miss out on its benefits when it is most needed. Kenyans also change employers constantly and, in the process, some lose out on recovering their saving because of a lack of pension portability. Even though policy on portability has been a thorny issue, some stakeholders are considering its implementation in order to promote labour migration. The East African Community for example, has tabled a draft social protection framework that will allow workers to enjoy benefits despite shifts in jobs within member countries. The policy also proposed that the processing time for payments be completed within 45 days after the date of receipt of benefit applications. For companies providing life and pension covers, investing in a good reinsurance company would be a good way to adapt to this direction.



PICTORIAL

01



Human Resource Manager, Ms. Sally Waigumo presents a trophy to Ms. Agnes Musyoka, after emerging a champion during the Uganda Darts Competition.

02



General Manager Reinsurance Operations, Mrs. Beth Nyaga, presents a trophy to Senior Life Business Underwriter, Mr. Vernon Lidava, in recognition of his exemplary role in view of his presentation at the AIO Conference.

03



Kenya Re corporate golf ushers pose for a photo before the start of the corporate golf tournament held on Friday 2nd September 2022 at the Karen Country Club.

04



A golfer picks his merchandise ahead of the golf tournament held at Karen Country Club on Friday, 2nd September 2022.

05



Kenya Re General Manager Reinsurance Operations, Mrs. Beth Nyaga awards Asst Manager Local Business Mr. Linus Kowiti with the staff prize during the corporate golf tournament.

06



Kenya Re staff (L - R) ... Mr. Joakim Omache, Ms. Anne Wangeci, Ms. Virginia Waitaha and Mr. Anelick Makhoha pose for a photo while representing the Corporation during the semi-finals of the Iik East African Regional Quiz.

PICTORIAL

07



Kenya Re football team pose for a photo during one of their football matches with their First Assurance counterparts at Railway Training Institute.

08



Kenya Re Netball team pose for a photo during one of their matches with their APA Insurance counterparts at Railway Training Institute.

09



Kenya Re Risk Management Champions pose for a photo during a training at the Kenya School of Monetary Studies, Nairobi.

10



Kenya Re GM Finance & Investments Mrs. Jacqueline Njui (l) awards Mr. George Ochira of Axe Insurance Agency after he clinched the overall winner prizes during the corporate golf tournament held at the Karen Country Club on Friday, 2nd September 2022.

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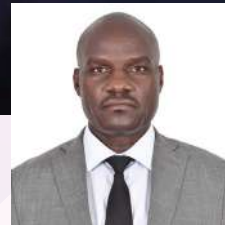
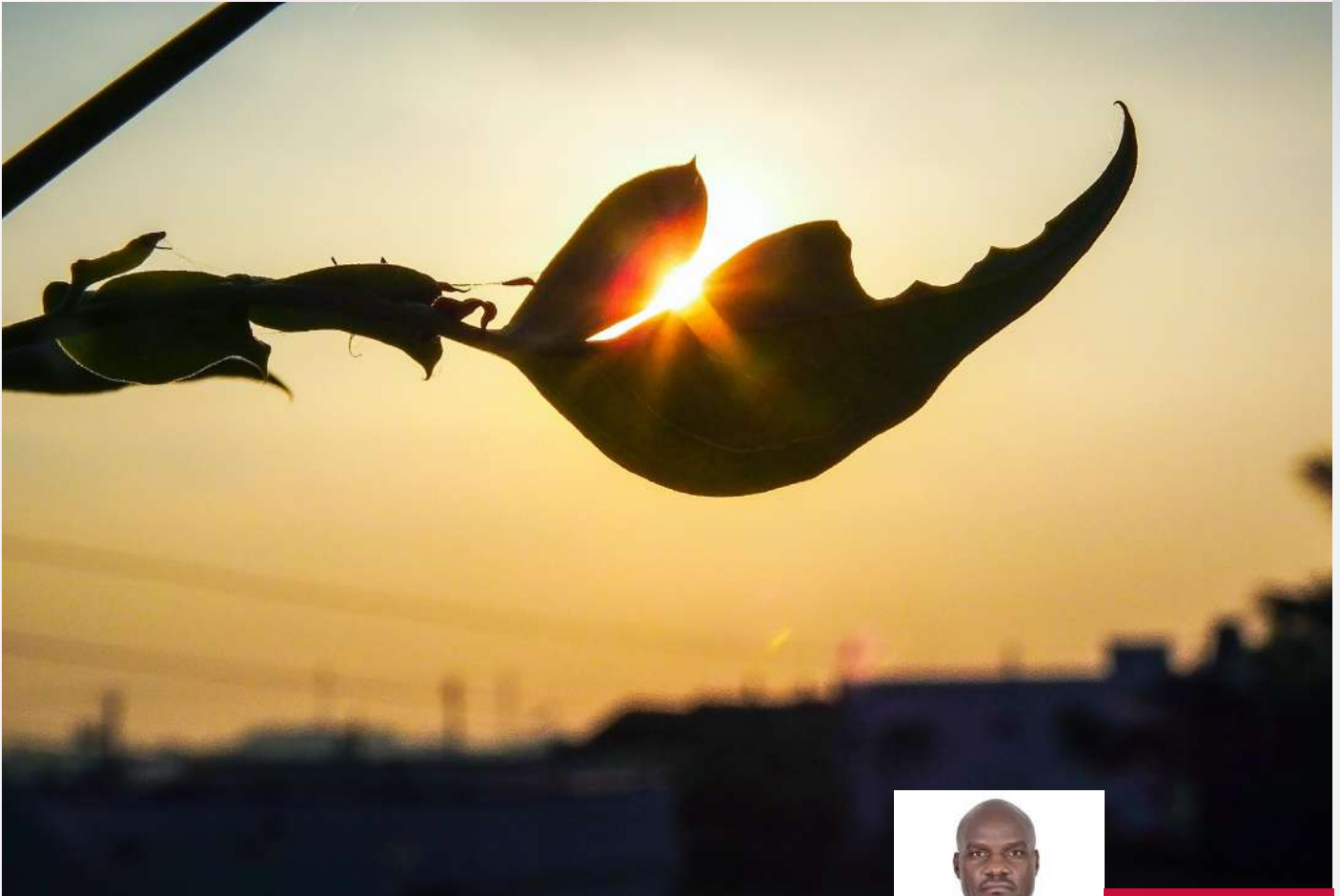


Kenya Re Retakaful team pose for a photo with their clients during the Sudan market business trip.

12



Kenya Re staff pose for a photo during the fire marshals training for Reinsurance Plaza -Nairobi stakeholder at Best Western Plus Meridian Hotel, Nairobi.



BY DAVIS ONSAKIA

The tail end of life

What will you do if you know that you have a limited time to live on this beautiful earth? What will you do, differently? But we all know that our time is limited on this earth anyway; that as you were born, someday people will gather at your funeral and read their eulogies (and eat as they 'celebrate' your life or is it death?). Sad? Not really, it is what life truly is all about.

The biggest challenge many of us grapple with is if we were told or know the maximum time we have. One week? One month? One year? Less than 2 years..... Some doctors can be nasty - they are normally the purveyors of such news.

There will be two extremes when you know, with some certainty the day of your demise: immerse yourself fully into something like work, or completely be detached from your surroundings - whether it is work, family or anything.

For either group, you don't care that very much because you know you won't be here long enough to face the consequences or savour the fruits. You sort of drift into a shell - where it is only you and your life, like a tortoise retreating into its shell whenever it senses danger in the vicinity. Problem is, what if the doctor was wrong? Statistically speaking, they always have a margin of error in their diagnosis and prognosis.

The experience most people go through is more of denial and trying to compensate for what probably you never did well, to numb and push back the thought that tomorrow you might not be here. It is painful. It hurts. It cuts the body into pieces. It disorients and distorts the bigger dreams you'd for the future. The grand plans. The exotic trips you'd planned... all almost reduced to nought.

You will note, from research, that there is no average: going about life as if nothing happened - at least according to you. Why is it like that?

Remember this is the same thing about politicians or those who occupy big offices with clear time limits: when it comes to the time to retire from a 'long and illustrious career'. What you do the last few years, months, weeks, days and even hours. Feels like the same thing? Not exactly. But then some people know no other life. Feels like you are being disconnected from a life support machine. It should not be. You can breathe buddy, without the 'machine' being on.

Thinking of this group sounds far better than those guys who get hounded out of the office, via 1 pm news (during Moi days) or being involved in an accident, and you never have an opportunity to share anything with anybody. Or bid your goodbyes to your loved ones, and vice versa.

Knowing you have a few days can give you some time to make amends, with people you have wronged (to get to heaven you might even become religious at such a time when you have come to the painful realization that life is meaningless, as Solomon puts it in Ecclesiastes). You can dispense some wisdom to all who will care to listen - you can even pen it down in a book. Optionally, you can arrange your finances and communicate your desire, how they will be managed and spent, and who gets what. You can love more - because you

honestly know that that is what really matters. Some relationships have been saved once a family member has been diagnosed with some chronic and terminal illness...and the countdown has started. It should not be like that.

Is life not limited anyway? From a biblical perspective, 70 years it is and any more is a bonus?

Why won't we be the best versions of ourselves, all the time? Giving our best in all we do, because honestly, tomorrow is not guaranteed?

These are some of the thoughts that I was juggling with as I thought about terminally ill patients. Unlike the majority of us (who think we've eternity to fix things), this group has somehow clear timelines of how long they can live. Why can't we try and live as if we are exiting this earth tomorrow? And that you want to leave the best for those you are leaving behind? Why the bile, which only chews your liver, why the negativity, why the struggle so much that you lose the meaning of it, why the hatred that permeates our lives? Why the bravado? Why the hubris?

Go placidly man, as you pace this earth. The end is nigh.

Do live as if you are exiting the stage of life tomorrow. Adios.

© Davis Onsakia, 2022



African Development Bank invests \$20 million in private equity fund targeting renewable energy projects in sub-Saharan Africa

The Board of Directors of the African Development Bank Group today approved an equity investment of \$20 million in Evolution Fund III, a pan-African clean and sustainable energy private equity fund that is mobilising about \$400 million into renewable energy and resource-efficiency assets across sub-Saharan Africa over a 10-year period.

Inspired Evolution Investment Management is a well-established fund manager with more than 15 years of experience and a track record of deploying more than \$310 million in renewable energy projects in African countries. The fund manager, through its predecessor funds, has delivered 21 renewable energy projects with a total generation capacity of 2 GW.

EVIII aims to broaden geographic and technology scope to incorporate North Africa as well as several SSA countries and decentralized energy business models as the key climate mitigation and energy transition. The Bank's support will contribute to an additional 2,162MW of installed renewable power generation capacity, 1.8 million tons of CO2 emission savings, and a green and sustainable growth across Africa by creating 2,480 full-time jobs, building on the track record of Evolution Funds I and II which generated about 1,309 jobs out of which 22% were women.

Vice President Kevin Kariuki of the African Development Bank's Power, Energy, Climate Change and Green Growth Complex, said the Bank is committed to boosting its portfolio of renewable energy projects and encouraging private investment in renewable and efficient energysolutions.

"The Evolution Fund III is well placed to invest much-needed capital

in long-term, low-carbon and climate-resilient development pathways towards achieving a just, net-zero future for African countries," Kariuki said.

The Bank's investment in Evolution Fund III aligns with its High Five objectives, particularly, "Light Up and Power Africa" under its New Deal on Energy for Africa.

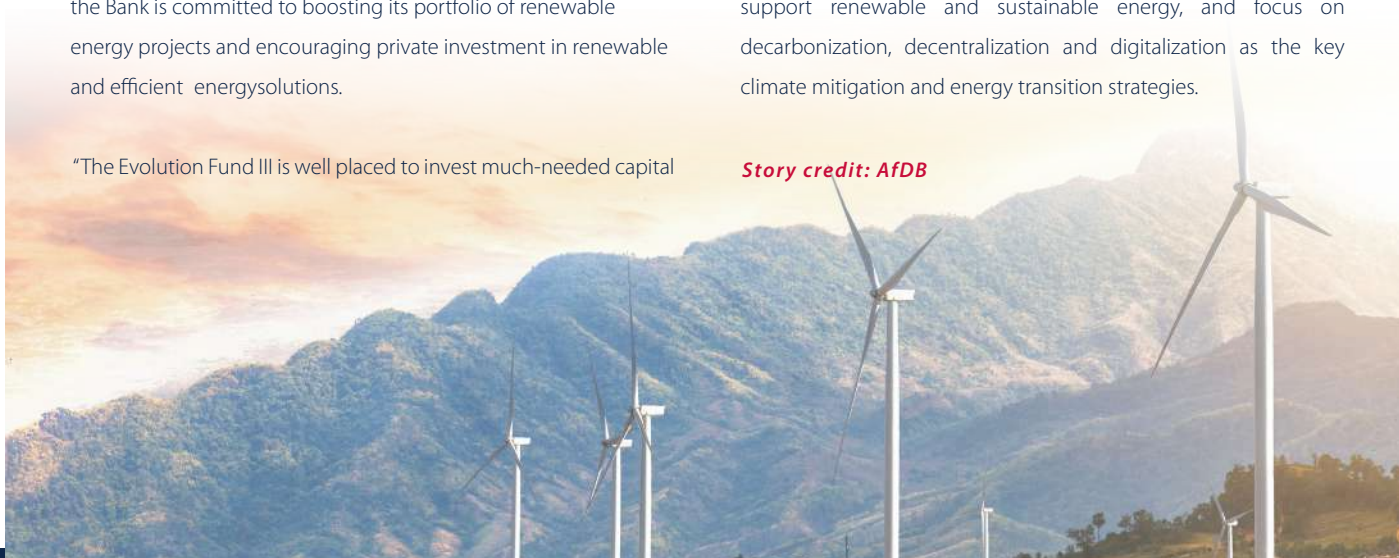
According to Wale Shonibare, Director Energy Financial Solutions, Policy & Regulations, the Bank's support for a private equity fund focused on promoting renewable energy in Africa, will assist regional member countries to achieve their Nationally Determined Contributions and Paris Agreement obligations.

Christopher Clarke, Co-Managing Partner at Inspired Evolution, said "AfDB has been a consistent supporter of Inspired Evolution since 2010 and this third capital commitment evidences our trusted partnership that has been established in the delivery of the AfDB climate goals for Africa."

Wayne Keast, Co-Managing Partner at Inspired Evolution, added "AfDB's investment validates our track record and sophisticated investment management approach to accelerating Africa's clean energy transition."

The African Development Bank and partners in the new fund will continue to provide growth capital and infrastructure equity to support renewable and sustainable energy, and focus on decarbonization, decentralization and digitalization as the key climate mitigation and energy transition strategies.

Story credit: AfDB





KENYA RE
STRENGTH & WISDOM BEYOND BORDERS

YEARS OF ASSURANCE 52

**Our Retakaful product,
backed by a Sharia-Compliant
Advisory Board, is geared to
meet the ever-increasing
demand for Reinsurance and
Investment products from our
Muslim clientele.**



KENYA RE IS ISO 9001:2015 AND ISO 27001:2013 CERTIFIED.
RATED B (FAIR) BY AM BEST INTERNATIONAL RATING AGENCY
AND AA+ BY GLOBAL CREDIT RATING (GCR).



BY SYLVIA KARIMI

Understanding the business model of reinsurance companies

Insurance companies require the same kind of financial protection that they offer to their clients. This protection is provided by reinsurance companies who provide insurance against loss for insurers.

The insurance industry would remain exposed and vulnerable without reinsurance. They would also be compelled to charge higher premiums to cover any future potential losses.

Typically, reinsurance companies offer two kinds of products.

First is the treaty reinsurance. This is a contract which compels the reinsurer to accept an entire class of policies from the reinsured, including those that are yet to be written. Facultative reinsurance on the other hand is more specific. It can cover single individual policies, such as reinsuring the

excess insurance on a company or large building, or cover different sections with several policies together.

For proportional reinsurance, the reinsurer receives a prorated share of all policy premiums sold by the insurer. Yet, for a claim, the reinsurer bears a part of the losses as per a percentage that is pre-negotiated. The reinsurer also reimburses the insurer for processing, writing costs, and business acquisition.

Reinsurance can also be non-proportional. In this case, the reinsurer is liable losses to an insurer go beyond a specified amount, also known as the retention limit. Consequently, the reinsurer will not have a proportional share in the insurer's premiums and losses. The retention limit is based on one type of risk or a whole risk category.

Excess-of-loss reinsurance is a type of non-proportional cover where the reinsurer covers the losses exceeding the insurer's retained limit. This is mostly applied to catastrophes, and covers the insurer either on individual occurrence or for the cumulative losses within a set period. Ultimately, reinsurers deal with complex risks in the insurance system that normal insurance companies do not



want or are unable to absorb. These risks tend to be regional or global in nature. As a result, reinsurance companies tend to have a global presence, which also allows the reinsurer to spread risk across larger jurisdictions.

Beyond working with insurers, reinsurance companies also write policies for financial intermediaries, multinationals, or banks. However, most of their clients are insurance companies.

So, what makes the differences and similarities between reinsurance and insurance companies?

Reinsurance is a form of insurance, with the system where the insurance client is charged a premium with the promise that the reinsurer will pay future claims as per the coverage of the policy.

Just like insurance companies, reinsurers employ risk managers and modelers to price their contracts. However, reinsurance companies target a different customer base from insurance companies, and they also tend to work in wider jurisdictions that involve different, or even competing, legal systems.

More differences are seen where reinsurance companies are

thought to operate in mystery, doing their business in the background, while regular insurance companies openly advertise their products to the public and compete over the same market segments. Reinsurers normally do not buy mass direct-to-consumer advertising. They also have small work forces and mostly develop strong ties with some of their competitors.

Reinsurance contracts act as an agreement between the ceding insurer, which is the insurance company seeking insurance, and the assuming insurer, or the reinsurer. In a normal contract, the reinsurer indemnifies the ceding insurer for losses under specific policies written by the ceding insurer to its customers.

Unlike the standard insurance contract between you and your insurance company, a reinsurance contract is not regulated as to form and content because both parties are considered equally knowledgeable about the industry and have equal bargaining power under the law.



Funding climate change adaptation will go a long way in mitigating negative effects of climate change

The just completed Cop27 conference had been long anticipated by climate change stakeholders, who were looking forward to its outcomes. During the high level session, one of the notable outcomes was the launch of the **Adaptation Agenda** by the COP27 Presidency Sharm-El-Sheikh.

The plan seeks to increase resilience for 4 billion people who reside in communities most exposed to climate change by 2030. It has been referred to as the first thorough global adaptation-focused strategy to unite governments and non-State players around a common set of initiatives.

Considering mounting risks, some stakeholders at the conference called for more funding and the execution of measures targeted at assisting vulnerable people and nations

adapt to the climate emergency. By the end of the decade, the estimated annual adaptation demands will range from \$160 billion to \$340 billion, and they might reach \$565 billion by 2050. This calls for action now.

According to the 2022 Adaptation Gap Report by the UN Environment Programme (UNEP), at least 84 per cent of Parties to the UN Framework Convention on Climate Change (UNFCCC) now have plans, strategies, regulations, and policies in place for adaptation, an increase of 5% over the year before. The tools are becoming better at giving disadvantaged populations priority. However, there isn't enough funding to put these plans and tactics into practice.

This sentiment was echoed by various other leaders at the conference, who urged the world to commit to pledges made on climate change funding and take seriously efforts to make changes to the 'now impact', especially towards developing countries.

While speaking at the COP27 on behalf of African heads of state, President William Ruto stated that the Horn of Africa, which

includes Kenya, is currently suffering from its worst drought in forty years. Millions of people have experienced misery due to two consecutive years of dry weather. In Kenya alone, 2.5 million animals have perished this year, resulting in financial losses of about USD 1.5 billion. Honoring pledges made as far back as the commitment of \$100 billion yearly made in Copenhagen 13 years ago will help countries in mitigating such effects.

The pledges made will also go a long way in helping developing countries transition to a green economy, starting with energy transitions. People in the private equity side are already identifying opportunities that lie in the transition and are looking for ways to invest. Then, within that, insurance plays a crucial role in terms of risk transfer and risk mitigation.

Risk is handled after it has been assessed, something that the Insurance industry is good at. Two significant risk management methods are investing in physical risk reduction measures (such as irrigation systems or flood defenses) and planning for risk financing. Both are made possible in large part by the insurance sector.

In Kenya, disaster risk financing is being used to reduce the number of people affected by negative impacts of climate change such as droughts. This financing is preventing the cost of natural disasters and how they negatively impact development programmes.

Climate change adaptation is currently being advanced as a sustainable way of mitigating against climate change, and funding it will make strategies more resilient. In this regard, adaptation strategies need to be relooked by governments and financiers, to turn them into investable business models.

“The investment pipeline is blocked; we must unblock it now. We need a global surge in adaptation investment to save millions of lives from climate carnage. It is high time for unprecedented coordination among recipient governments, development partners and other financiers,” said Antonio Guterres, UN secretary general during COP 27 ([Source: UNEP](#))

The entire impact of Kenya's 2008–2011 drought is projected to have cost \$12.1 billion, with the cost of climate change reaching five to ten percent of Kenya's GDP.

In Kenya, adaptation must happen quickly and broadly across ecosystems, communities, and sectors. It is not only a policy goal.

If significant investments in adaptation are not promptly scaled up, the costs of climate change might quadruple in both the economic and social spheres by 2040.





Kenyans borrowing Sh1.8bn on Fuliza every day

At least 7.4 million borrowed from the platform

- The average amount borrowed on the platform in the review period was Sh320.90 compared to Sh375.80 same period the previous year.
- One month M-Pesa users grew 8.6 per cent during the period to 31.17 million.

At least Sh316 billion was borrowed on Safaricom's overdraft facility, Fuliza in six months to September, translating to Sh1.8 billion per day. This is a 30 per cent increase compared to Sh242.6 billion borrowed same period last year. The daily disbursement for a similar period last year was Sh1.3 billion per day.

At least 60 per cent of the loan was for consumption, illustrating survival mode for many families who are facing tough economic times amid high inflation that hit 9.6 per cent in October. This is demonstrated by the reduction of Fuliza ticket size, which has dropped, by a Sh50 in the past year.

The average amount borrowed on the platform in the review period was Sh320.90 compared to Sh375.80 same period the previous year. Data from Safaricom Plc's half-year results for the period between March and September, a total of 7.4 million Kenyans borrowed from Safaricom's popular overdraft facility to mark the highest number of users for the service on record.

According to the telco, the number of distinct customers on the service rose by 14.2 per cent from 6.4 million persons at the same

time last year. Disbursements on Fuliza are projected to grow even further following a reduction in the pricing of the overdraft facility by up to 50 per cent for the daily fee for transactions up to Sh1000 for the first three days. Fuliza has continued to obliterate Safaricom's other lending value products including KCB M-Pesa and M-Shwari which have both stagnated in the value of loan disbursements made in recent years.

The value of disbursements on KCB M-Pesa for instance declined by 5.5 per cent to Sh21.7 billion in the six months while credit issuances via M-Shwari were flat at Sh43.4 billion in the period. Safaricom revealed that it is working alongside its partners: -KCB and NCBA, on a credit repair programme that will see up to four million Kenyans cleared to access loans on the platform according to estimates from the company.

The high uptake of Fuliza loans saw the company's overall service revenue grow by 4.6 per cent to Sh144.8 billion on the first half of the year, with M-Pesa contributing nearly half of it. One month M-Pesa users grew 8.6 per cent during the period to 31.17 million. The telco's M-Pesa revenue surged a massive 8.8 per cent to Sh56.9 billion while the data reported a double-digit growth of 11.3 per cent to Sh26.3 per cent during the period under review. Despite this, the firm's profits for the period dipped 10 per cent on high expansion cost to Ethiopia.

Speaking during the investor briefing, Safaricom CEO Peter Ndegwa said the company invested \$598 million in Ethiopia operations, muting profit growth to 33.4 billion. Even so, the firm's net income grew to 0.6 per cent year on year supported by the 4.6 per cent growth.

The telco is expected to extend the mobile money market dominance to Ethiopia after the country's premier Abiy Ahmed allowed the deal during the commercial launch of Safaricom Ethiopia early last month. In 2021, as part of plans to revamp the telecommunications sector, Ethiopia issued a tender to award two licenses to private telecommunication operators.

One license was awarded to a consortium led by Safaricom, which offered \$850 million and promised to invest \$8.5 million over 10 years.

Story Credit: The Star Newspaper, dated 12th November 2022 by Victor Amadala



Growth of reinsurance sector in Sub Saharan Africa

The Covid-19 period between 2020 and 2021 was a difficult operating period for Sub-Saharan national, regional, and international reinsurance companies. The period was made more difficult by volatile oil prices, high inflation, and depreciation of local currencies. The reinsurance market was hence faced by mixed performances.

But the growth potential in the region remains of high significance. This is because of plenty natural resources, growing economic indicators, and strong insurance growth potential owing to a young dynamic population.

In the past ten years, growing investment in infrastructure has led to significant development within the reinsurance sector in Sub-Saharan Africa. This trend is expected to continue.

Projections show that the region's national, regional, and international growth between 2011 and 2020 period witnessed an average annual growth of over 9 percent in gross written premiums. This was at a time when a myriad of local currencies including the Kenya Shilling, the Nigeria Naira, and the South Africa Rand were experiencing significant depreciation against the dollar.

The growth in premium was mostly attributed to non-life insurance, which is better developed in South Africa compared to many other Sub-Saharan countries.

From 2011 to 2020, double digits punctuated the growth, with 2013 witnessing a +19 percent growth, and 2017 +15 percent growth. However, 2015 witnessed a sharp decline of -10

percent. The contraction in premiums took place between 2014 and 2016, mainly due the collapse in oil prices. But after the 2016 to 2019 economic recovery, premiums grew by an average of 12.8 percent over four years. The Covid-19 pandemic however stagnated the sector with reinsurance premiums growing by only 0.82 percent in 2020.

In Sub-Saharan Africa, reinsurance companies are mostly focused on local risks, hence not exposed to catastrophic events like natural disasters. Therefore, the region's average loss ratio is better than that exhibited by the global reinsurance market.

The average loss ratio for 2020 was at 59.5 percent for AM Best-rated reinsurers in the subcontinent, compared to 76.2 percent for the top 50 global reinsurers. In 2016, this ratio was 53.2 percent.

In the absence of major claims, this nearly six-point deterioration in the loss ratio in four years between 2016 and 2020 was mainly due to fierce competition, erosion of premium rates, rising claims costs with the depreciation of local currencies particularly for reinsurers that operate in dollars and set up their balance sheets in local currency, and economic instability and political uncertainty.

Additionally, an increase in administration and business acquisition costs affects the management expense ratio and by extension the combined ratio. Management expenses were 38.4 percent in 2020 for all reinsurers in Sub-Saharan Africa, compared to 28.7 percent for the top 50 reinsurers worldwide. The average combined ratio for the region stood at 97.9 percent in 2020. It had initially fluctuated between 91.2% and 93.2%

during the period 2014-2016 before reaching a peak of 99.2% in 2019.

Reinsurance companies continued to deliver solid profitability. The average return on investment between 2016 to 2020 was set at 9.5% compared to the 5.7% reported by the top 50 global reinsurers. This high ROE rate was explained by the generally decent level of risk-adjusted capitalization.

Despite the improvement in the shareholder's equity for African domiciled reinsurers in recent years, regional capacity remained low. Cedants' needs, particularly for construction and energy risks, increased significantly, driven by industrialization and new infrastructure.

As a result, local insurers often turn to large international reinsurers for their expertise and capacity to cover complex risks. This phenomenon contributes to reducing the level of premium retention in the reinsurance market in Sub-Saharan Africa.

According to AM Best's forecasts, the reinsurance market performance will improve thanks to sustained economic growth and a general tightening of reinsurance rates.

The Sub-Saharan reinsurance industry is currently bullish of transcending the ravages Covid-19 pandemic in the past few years to register significant growth levels beyond 2022.

(Article reference: Atlas Magazine, December 2021)



Call to action: Boost uptake of agriculture insurance to protect farmers and supply chain from shocks

BY LIBERTY JULIE

Kenya's food sector has been turbulent in 2022. As a result of the three consecutive below-average rainy seasons, poor crop and livestock output, resource-based conflict, livestock illness and death, and the COVID-19 pandemic, food security outcomes are deteriorating.

The national maize output for the long and short rains in 2021 was 2.98 and 0.26 million metric tonnes (MMT), or around 88 and 47% of the five-year average, respectively, according to the Ministry of Agriculture. According to the Kenya Food Security Steering Group, the brief rains crop output in the marginal agricultural areas in February 2022 was severely below normal, ranging from 35 to 87 percent below the five-year average, for all rainfed crops planted, except for Nyeri's near-average potato production.

The sector was also dotted with instances of products recall from commercial food shelves because of safety standards. In September for example, the Kenya Bureau of Standards (KEBS) ordered that 10 cooking oil brands recall their products because they did not meet safety standards for consumption. This translates to losses faced by manufacturers and suppliers across the supply chain that if not well mitigated, could lead to permanent damage for those involved.

Conversations around solving some of these challenges have introduced issues such as a lift on the ban of genetically modified organisms (GMOs) in Kenya. These instances have also raised the question of diversifying insurance offerings for the agricultural sector. As much as agriculture insurance is one method the government has found for de-risking the industry and lowering the

susceptibility of farmers and other value chain participants, its uptake has been low. Some of the challenges identified for this is the high cost of insurance premiums, weak legal and regulatory frameworks that do not respond to existing challenges, inadequate and unreliable data that can be used for agriculture insurance among other challenges.

To solve some of these challenges and raise the uptake of agriculture insurance, stakeholders can:

Make insurance affordable. One of the reasons why agriculture insurance is not commonly taken up by farmers is because of low incomes. Most of the income generated by farmers is absorbed by necessities and investing back into farming. Other forms of insurance such as health and life insurance are also prioritized more than agriculture insurance. By diversifying the packages available for them and making them more affordable, uptake can be boosted. In terms of costs, most insurance companies limit the offerings provided because it can be expensive. To mitigate the risk, insurance companies can partner with reinsurance companies to provide effective and sustainable solutions.

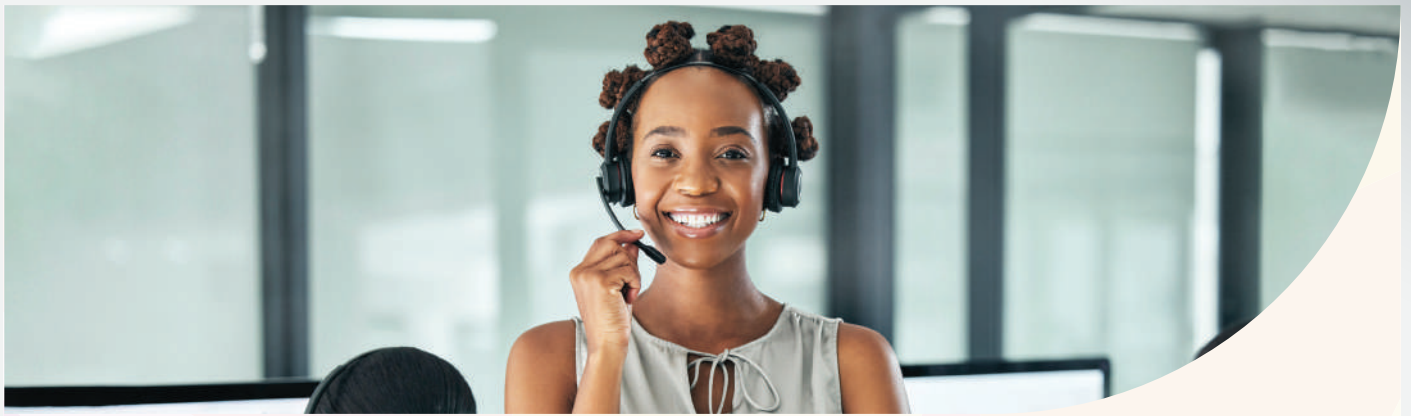
Educate relevant stakeholders on how insurance will provide resilience for their businesses. Insurance products are available to shield farmers, food processors and manufacturers against adverse climatic effects and improve their resilience. In instances of recall such as faced by various products in Kenya, coverage ensures that businesses are protected from loss. Manufacturers can take up long term and short-term risk that protects their business. Insurers also

monitor the long-term risks associated with businesses and can help with lessening the impact faced in the case of risks and provide a safety net for faster recovery from safety events.

Leverage multisector partnerships to boost availability of data needed for product design and development. One of the key areas affecting the development of agriculture insurance plans is the availability of accessible digital data. Re(insurance) agencies should engage more on conversations around challenges facing the sector and highlight opportunities that lie in problem solving it. In particular, conversations around how to coordinate effective data from both national and county levels should be had, to ensure that data collected is accurate, avoids duplication and is validated, to enable products development.

Lastly, leverage technology to boost access to insurance. Innovations in technology are helping to boost access to tailored insurance especially in rural Kenya where it is needed most. An example of such innovation is the Bima Pima micro-insurance product by Acre Africa. The product is designed to increase small-holder farmers' resilience to climate change through weather index-based insurance. It offers farmers tailored crop insurance plans to help them mitigate crop failure due to adverse weather patterns. As a result, over 70,000 Kenyan farmers across 15 counties use the product, demonstrating the potential that such products have in boosting access to coverage in rural Kenya.





Complaints Handling Procedure

Kenya Re is committed to delivering the highest possible quality and level of service to its customers. We intend to provide services through the best practice and in line with our customers' needs as we continually seek improvements.

What is a complaint?

A complaint is defined as "any expression of dissatisfaction by a customer or potential customer about service delivery by the company or its agents, and/or about company or industry policy." At Kenya Re, we see complaints as a valuable way of meeting and responding to your expectations. We realize that in breaking down the barriers to meet your needs we value listening to feedback and complaints from you

How will we handle your complaint?

We will:

- Acknowledge your complaint, in writing or via email, within 24 hours of us receiving it.
- Enquire into your complaint and consult any relevant persons who should help resolve it fairly and within a reasonable timeframe.
- Treat you and your information with confidence and respect, in line with our guidelines.
- Keep you and any other persons involved informed about the progress of the complaint, how we will try to resolve it and, as is appropriate, what we will do to prevent it from happening again.
- Take action to resolve the complaint as best as possible to your satisfaction and, where possible, recommend any changes needed to ensure the cause is fixed.

Let you know in writing the outcome of your complaint and, as is relevant, the reasons behind this outcome.

What should you tell us:

- Your name, address and the best way to contact you.
- The details that will help us understand the reason/s for your complaint.
- Copies of any documents relevant to your complaint.
- If you have already discussed your complaint with us, the details of those persons in Kenya Re that you dealt with. What you feel would constitute a satisfactory resolution of your complaint. For example are you seeking information which you feel is being withheld, are you seeking an apology, etc.

You need to know that:

- You may make a complaint verbally and/or in writing. E.g. email, and/or calling
- We may ask for your help in the course of handling your complaint.

You can make a complaint to Kenya Reinsurance Corporation by contacting:

Write to:

Communications Officer

Kenya Reinsurance Corporation

P.O. Box 30271- 00100

Nairobi, Kenya

Call: (+254) 0703083212

Email: complaints@kenyare.co.ke

Email: ongicha@kenyare.co.ke



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