

Africa insurance regime harmony sought

By [Stafford Thomas](#)

11 Jul 2011

Long mooted, a Southern and East African free trade zone was again a focal point at a recent gathering of leaders from the region's 25 countries. Obstacles to a free trade zone, from infrastructure to differing tax regimes, abound. But one seldom considered the short-term insurance market, says Michael Duncan, executive leader of insurance broking firm Alexander Forbes' global practice.

At present, Duncan says, insurance markets in African countries operate under disparate regulatory regimes, but all tend to restrict the flow of premiums across borders. Regulations typically compel companies to insure with local insurers, regardless of their capital base. In other instances minimum rating (premium) levels are imposed, particularly for larger risks.

"As matters now stand, regulations are to the detriment of foreign investment," Duncan says.

He explains that multinational companies use up to seven different global insurance programmes to cover different areas of risk. By spreading their business across a number of insurers, multinationals obtain cover in the most cost-effective way. "It is virtually impossible for them to do this if they are forced to insure in one country," he stresses.

Taking a somewhat different stance, the head of Santam's operations in Africa, Merrick Oeschger, says: "I can see where both sides are coming from. Multinationals want the cheapest insurance and African countries want to develop their own insurance markets and retain premiums where they can in their country."

He says short-term insurance markets in many African countries are enjoying premium income growth of 20%-30% annually, which is far higher than in developed markets, including SA. "African business is also very profitable," says Oeschger. "In the past all or most of that business would have been lost to foreign insurance markets."

Ultimately, says Catherine Grant of the SA Institute of International Affairs, if a free trade zone is to be fully effective it must extend to financial services and not physical trade only. "As a minimum, there should be harmonisation of regulatory controls in all member countries."

Source: Financial Mail

For more, visit: <https://www.bizcommunity.com>