



IRA's deputy chairperson Aphwa Ssebyala showing an award she won. This was during a press conference at IRA office in Nakasero, Kampala. Right is Kaddunabbi Lubega



Traders look on after fire gutted their market at Ggaba landing site last year. Most Ugandans are embracing insurance to cover such risks

# Insurance industry registers gains

By Faridah Kulabako

About six years ago, the insurance industry was underwriting less than sh500b annually, despite having over 20 insurance companies in the market.

This, according to insurance experts, was mainly due to lack of innovation in the industry, which limited the introduction of products that meet people's needs.

However, the introduction of innovative products in the recent years and a conducive environment are working miracles, giving the industry the much-needed push to ride the wave of growth.

The industry grew by 17.51% in 2018 compared to 14.75% registered in 2017.

## High premium

Products such as micro-insurance, agricultural insurance, bancassurance (the selling of insurance through commercial banks) and the use of mobile technologies in the sales and distribution, have bolstered the industry, pushing annual underwritten premiums high.

Insurance premiums, for instance, surged from sh463b in 2013 to sh504.8b in 2014, sh612.1b in 2015 to sh634.8b in 2016. The figure later jumped to sh728.53b in 2017 and then sh855.98b last year.

Information from the Insurance Regulatory Authority (IRA) indicates that bancassurance and mobile micro-insurance products raked in sh31b in 2018, with bancassurance contributing sh26b, while sh5b came from mobile money technologies.

Agricultural insurance, under the consortium, on the other hand, increased by 1%, from sh5.20b in 2017 to sh5.24b in 2018.

The industry's gross claims payout has also been increasing over the years, from sh184.3b in 2014 to sh214b in 2015 and sh261b in 2016. The figure further increased to sh291b in 2017, before jumping



Insurance helps one manage risks such as fires, repairs and any other damages that may be covered

to sh326.7b in 2018.

IRA's chief executive officer, Ibrahim Kaddunabbi Lubega, said development of customer-centric products and strategic partnerships over time have improved product affordability and accessibility.

Although Uganda's insurance penetration is far below the Sub-Saharan Africa average, it has improved over the years, clocking 0.84% in 2018, up from 0.76% in 2015. Stakeholders are optimistic that the figure will hit at least 2% by 2022.

South Africa has the highest insurance penetration rate in sub-Saharan Africa, estimated at about 16.99%, followed by Namibia at 6.69%, Lesotho at 4.76% and Mauritius at 4.18%. Insurance penetration rate in Kenya is estimated at about 2.83%, while that of Rwanda is at 1.74%.

## Life insurance

Important to note is that life insurance is posting impressive growth rates, growing faster than

any other insurance segments. It has been growing at an average of over 30% over the last six years, compared to an average of 10% for non-life business over the years.

This, according to Kaddunabbi, points to the fact that life insurance is gaining its position of being the industry's lifeline.

Life insurance is a contract between an insurance policy-holder and an insurer, where the insurer promises to pay a designated beneficiary a sum of money in exchange for a premium, upon the death of an insured person or terminal illness.

There are several life insurance products on the market, such as education plans, provident funds, annuity products, pension schemes, personal retirement benefits account and personal savings plans, among others. Non-life insurance, on the other hand, includes policies such as motor third party, fire, personal accident, workman's compensation, burglary and legal expenses, among others.

In 2018, life insurance accounted for sh216.88b of the industry's total underwritten premium, up from sh168b the previous year.

Education and funeral insurance policies are increasingly contributing immensely to the growth of life insurance.

IRA's senior communications officer Mariam Nalunkuuma, said many parents are taking up education insurance policies for their children.

"This is an indication that parents are taking measures to guarantee the lives of their beneficiaries," Nalunkuuma said.

Industry players further envision development of more life insurance embedded products that are versatile in nature and meet multiple client needs.

## Funeral insurance picking up

The inevitability of death and an increase public awareness has also seen more Ugandans taking on funeral insurance.

Policy-holders pay annual

premiums ranging between sh30,000 and sh500,000, depending on the service provider, policy plan and age of the insured.

Payment of annual premiums guarantees compensation in the form of footing funeral expenses in case of death.

Depending on the package and annual premiums, funeral benefits range between sh300,000 and sh10m upon death.

Subject on the terms of the agreement, the package may cover, among others, caskets, embalment, provision of vigil space, announcements, transporting the body to ancestral home, grave digging and construction and catering services, among others.

Olivia Kisubika, a funeral cover specialist, says funeral insurance is increasingly becoming a more sought-after product because of its convenience.

"Bereaved people face a lot of difficulty mobilising funds to finance burial arrangement. Prepaid funeral arrangements allow the bereaved to mourn their loss without extra stress," Kisubika said.

## Few players

Although Uganda's insurance market has 21 non-life insurance companies, competition remains minimal as the sector is still controlled by a few players.

Data shows that 67.88% of the non-life insurance market is controlled by only four insurance players.

Of the sh569.96 non-life gross written premiums last year, the four accounted for sh386.87b.

Recently, Kaddunabbi urged the six non-life insurance that underwrote premiums below sh10b, to re-examine their strategies to improve. He has also, on several occasions, advised poor performing companies to work towards reducing their administrative expenses to improve profitability.

Competition in the life insurance segment, on the other hand, seems a bit stiff, with six of the nine life insurance companies having over 9% market share.