UGANDA'S INSURANCE SECTOR PERFORMANCE IN THE YEAR 2019: ANOTHER YEAR OF SUSTAINED POSITIVE GROWTH

MAY 2020

PERFOMANCE HIGHLIGHTS

A. KEY HIGHLIGHTS

1. In the year 2019, Non-life business generated ***UShs 621.68billion*** in GWP (up from ***UShs 572.79billion*** in 2018) representing an ***8.54percentage growth*** in premiums.[1]

2. Life insurance business on the other hand generated ***UShs 276.32billion*** in GWP in 2019 (up from ***UShs 217.97billion*** in 2018) representing a ***26.77pecentage growth*** in premiums.

3. In terms of market concentration, Non-life accounted for ***63.86percent*** of the aggregate industry written premiums, approximately 3percentage points lower than the market share index of ***66.6percent*** in 2018 (70.01percent in 2017). Life business on the other hand accounted for ***28.38percent*** of the aggregate industry written premiums compared to ***25.34percent*** in 2018 (22.86% in 2017).

4. Health Membership Organisations (the Mono-class Medical Insurance providers) generated ***UShs 75.26billion*** in 2019 up from ***UShs 69.11billion*** in 2018 (**8.9percentage growth**) accounting for **7.74percent** market share.

5. In 2019, the dedicated Microinsurance Specialist Company generated ***UShs 0.299billion*** in premiums up from ***UShs 24million*** realised in 2018 (their first year of operation) representing a phenomenal growth of ***1,131percent***. We licensed another specialist Microinsurance company this year and we expect to see more growth in the line that focuses at the low income clients that were hitherto, largely, unserved.

[1] ***The Non-life gross premiums for 2018 were restated to include foreign business from Uganda Re***

6. Despite the continued dominance of the Non-life business, the Life Insurance business continued to grow relatively faster at ***26.77percent*** compared to ***8.46percent*** of Non-life business, and HMOs' ***8.9percent***.

7. Overall, the industry remained on a positive 2-digit growth trajectory growing from UShs 859.8bn in 2018 to UShs 973.58bn in 2019 and posting ***13.22percent*** growth over the reporting year (17.51percent in 2018).

8. Insurance Penetration[2] reduced from ***0.844percent in 2018*** to ***0.77percent*** in 2019. The decline is as a result of rebasing of the 2018/19 GDP figures that saw the size of the economy (GDP) expand from UShs 109.9trillion to UShs 122.7trillion (11.65percentage growth).

9. Insurance Density[3] on the other hand increased from ***UShs 21,236 in 2018*** to ***UShs 24,158 in 2019*** (13.76percentage growth).

B. FACTORS FOR THE GROWTH

The positive growth continues to emerge from:

1. Strong Economic Fundamentals - Inflation remained below ***5percent***, resulting into strong growth in 2019, estimated at ***6.3percent***, largely driven by the expansion of services (Averaging ***7.6percent*** and industrial growth driven by construction and mining averaging ***6.2percent***). These same fundamentals drive Insurance Growth.

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[2] ***Insurance penetration** is a ratio of Insurance Premium to the Gross Domestic Product measured at current prices*

[3] ***Insurance density** is a measure of the average percapita spend on Insurance*

2. Enhanced distribution – Premiums collected through Bancassurance channels raised from ***UShs 26billion*** in 2018 to ***UShs 53.6bn*** (Accounting for ***5.5percent*** contribution to the total GWP).

3. Sustained growth in uptake of medical insurance class of business mainly by Corporate Institutions, growing from ***UShs 204.0billion*** in 2018 to ***UShs 219billion in 2019*** (Accounting for 22.5percent of the total GWP).

4. Sustained growth in Agriculture Insurance:

    i. Premiums underwritten from Agriculture Insurance under the Agriculture Insurance Consortium more than doubled raising **from *UShs 5.25billion* in 2018 to *UShs 12.7billion* in 2019 *(142percentage growth).***

    ii. This was against the sum insured of ***UShs 394billion*** in 2019 (UShs 387bn in 2018). Total Claims paid amounted to ***UShs 1.9billion***.

    iii. Drought and excessive rainfall losses account for almost 90percent of the total claims.

    iv. Northern Uganda accounts for over 70% of the Total Claims.

    v. The uptake of Agriculture Insurance from the consortium increased by over 30,000 farmers **from 50,000** farmers in 2018 to **82,000** farmers in 2019.

5. Enhanced Insurance customer confidence in the sector ushered in by a strengthened complaints redress mechanism provided by the Authority. A customer satisfaction survey in respect to complaints redress conducted by the Authority in 2020 shows that 87percent of the clients who interfaced with the Bureau were satisfied with the processes and fairness of the decisions.

   In the period under review, a total of 153 Complaints were received out of which 127 have already been resolved.

6. Growing middle class (i.e. Population that can support a consumption level of ***UShs 1Million*** and above standing at 23.5% of the urban adult population and 5.3% of the rural adult population[4]. It is this population that accounts for the growth in the uptake of Individual life policies.

7. Improvement in risk cautiousness amongst the population resulting from among other things increased public sensitisation campaigns undertaken by the various insurance sector stakeholders.

C. UNDERWRITING PERFORMANCE/ PROFIT

Non-life underwriting profits reduced from ***UShs 19.36billion*** in 2018 to ***UShs 17.93billion*** in 2019 (8percentage reduction). This reduction in underwriting performance was due to the increased out-go composed of mainly claims and management expenses (cost of doing insurance business).

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[4] **Sophie Brandt and Ojok Okello (2019): *Uganda's Rising Middle-Class: A Roaring Lion or a Sleepy Kitten?***

Medical Insurance continues to be loss making class. HMOs alone made an underwriting loss of UShs 2.36billion. We shall be examining this class to rule out possibilities of fraud in this line of business.

Note: The underwriting performance only covers non-life business. Due to the long term nature of life business, it is not feasible to calculate the underwriting profit/loss on a yearly basis.

D. SECTOR ASSET BASE

The Insurance companies' (including HMOs) financial strength measured in terms of Net Assets (*i.e. Assets less Liabilities*) increased by ***11.23percent*** from ***UShs 508.2billion*** in 2018 to ***UShs 565.2billion*** in 2019.

The sustained growth in Net Assets indicates improvement in ability/capacity of the industry to absorb more risks locally and provide adequate protection to the insuring public which is a good indicator of a growing sector.

E. CLAIMS PAYOUTS

Besides ensuring a stable insurance sector, the Authority's mandate spans to protection of policy holders and policy beneficiaries' rights. Claims payment is the core value that the Insurance Industry offers to the policy holders and beneficiaries. In the year 2019, the Gross Claims paid for both life and Non-life insurance (including HMOs) increased by ***14.75percent*** from ***UShs 326.7billion*** in 2018 to ***UShs 374.9billion*** in 2019.

G. OUTLOOK 2020

The insurance sector, just like many other sectors, has already been affected by the COVID-19 Pandemic. Whereas Quarter one performance of 2020 shows positive growth (about 11percent), the effects of Covid are to be felt from second Quarter onwards. Preliminary Indicators point to a decline in performance in the second quarter of up to about **50percent** compared to the similar period in 2019. How worse or well it gets will depend on the direction the pandemic takes. Otherwise, some recovery is expected beginning July 2020 when the new budget takes effect.

To mention, but a few, the following will affect the aggregate performance of the year 2020:

1. The slowdown in economic activity and the near cut-off of the public's earning potential means low disposable income and minimal allocation to insurance.
2. The uptake of new policies has dipped as many policy holders opt out of insurance by not renewing their policies.
3. Significant premiums that have been generated from engineering/construction related investments from both private and public have reduced.
4. Public sector infrastructure investments are bound to reduce as reallocations are made to strengthen the health sector response capabilities.
5. A number of projects that consume insurance are donor-funded and these funds are anticipated to reduce.

6. There are no more insurance premiums emanating from travel insurance since international travels were banned and premiums from marine insurance have dipped as the international trade has slowed down.
7. The increased lapse rates of life assurance policies as COVID-19 has disrupted the income stream of millions of Ugandans with a disproportionate impact on the private sector.
8. Higher claims pay-out for particular classes of insurance such as Business Interruption, Workers Compensation, Medical, among others.

On the optimistic side:

1. There are signs of successful containment of the effects of Covid as people slowly return to work. Once the discussions on the stimulus package are actualised, we expect the economy to recover, and insurance to pick.

2. Covid 19 is likely to improve risk awareness amongst the population because it has demonstrated how devastating an unplanned risk can be.

3. Compulsory uptake of marine Insurance from Local Insurance Players effective 1st July 2020 via an on-line platform that has been developed is expected to generate significant premiums.

4. Improved compliance to the statutory Motor Third Party Insurance as on-line purchase of the same will become compulsory effective 1st July 2020.

5. The investments in InsurTechs to deliver new Insurance Solutions is expected to gain traction and appeal to the new clientele – the Youth.

6. The demand for inclusive insurance solutions especially Agricultural Insurance is expected to grow as people look for more ways of hedging themselves against potential losses arising from risks such as floods, locusts, drought, among others.

7. Leveraging on social media and other technological platforms to drive the insurance message will create the much needed insurance-cautious community.

8. Growth from anticipated emerging sector opportunities such as Takaful, Oil and Gas, National Health Insurance, new infrastructure projects, among others.