ZEP-RE
ACADEMY NEWSLETTER

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AFRICA'S BOLD BET ON MICROINSURANCE

ZEP-RE (PTA Reinsurance Company)

ZEP-RE (PTA Reinsurance Company) is a regional reinsurer of the Common Market for Eastern and Southern Africa (COMESA), established through an Agreement of Heads of State and Government on 23rd November 1990 in Mbabane, Eswatini. The founding mandate of the Company is to foster development of the region's insurance and reinsurance sector, promote growth of national and regional underwriting and retention capacity, and support sub-regional economic development agenda. The Company does this through creation of reinsurance capacity, training of the region's insurance personnel, provision of technical services and the re-investment of premium funds within the region.

ZEP-RE has its headquarters in Nairobi, Kenya, and has over the 30-year period grown its footprint exponentially across the African continent. This growth is in line with the company's vision to bring its services closer to its customers for better and faster service. ZEP-RE has built a network of offices in the West, East, and Southern Africa hubs Regional offices are in Harare, Abidjan and Kenya, and others are country offices.

One of ZEP-RE's founding objectives is to support inclusive and sustainable socio-economic growth in the COMESA region and its markets.The company is committed to fostering financial inclusion and positively impacting people's livelihoods while stimulating economic development.

Capacity building and skills development is at the heart of ZEP-RE which led to the formation of the ZEP-RE Academy in September 2016, the first ever of its kind on the continent. Through the ZEP-RE Academy, the company continues to fulfil its mandate by being instrumental in the promotion of insurance, reinsurance and related training aimed at improving professionalism in the region.

ZEP-RE is fully compliant with ESG framework and is focused on being a transparent and responsible organization. The company has placed itself at the forefront of pursuing sustainability in the insurance industry as a signatory to the Nairobi Declaration on Sustainable Insurance. ZEP-RE is committed to supporting the SDGs to ensure that the organization creates a lasting, positive impact in the COMESA region, the larger continental market, and beyond.

ZEP-RE was selected as an implementing agent on behalf of the regional governments of Kenya, Ethiopia, and Somalia to drive the risk management and inclusion component of the Horn of Africa De-Risking, Inclusion and Value Enhancement of Pastoral Economies (DRIVE) Project. The project aims to increase the resilience of pastoralist communities in the Horn of Africa region through Index-Based Livestock Insurance (IBLI) and scale up financial protection for pastoralists across the Horn of Africa with a package of financial services, including savings, to address climate change shocks.

ZEP-RE Academy

ZEP-RE Academy, the training institution of ZEP-RE (PTA Reinsurance Company), was established in 2016 to institutionalize the company's founding mandate of training insurance and reinsurance industry personnel in the Common Market for Eastern and Southern Africa (COMESA) region and beyond.

The Academy, which prides itself as the first of its kind in the continent, has strategically positioned itself to be the continental provider of insurance and reinsurance training solutions. With this, the ZEP-RE Academy aims to translate its strong belief in insurance and reinsurance professionalism into reality.

Based on its understanding that continuous professional development (CPD) is critical for growth and progress in the sector, the Academy takes pride in its expertise in upskilling teams in insurance and reinsurance companies, with on-the-job practical training.

The Academy collaborates with Insurance Regulatory Authorities in different countries in the development of markets. In partnering with Insurance Institutes, Insurance Associations, and Insurance Training Institutions in the region the Academy is able to respond to each market's local training needs and requirements. It has on numerous occasions also created bespoke programs for individual companies and institutions in response to their needs.

Over 12,000 people have been trained by the Academy since its establishment with over 80 percent of these being reached after 2020 when the Academy pivoted to online learning during the COVID 19 pandemic.

In addition to providing training, the Academy also conducts research and development to contribute to innovation and new product offerings, developing underwriting manuals, articles, and other publications as well as mentoring young leaders.

The Academy has also taken to provide training on financial inclusion to cater for the most vulnerable in our communities who do not have direct access to traditional insurance covers. This is done with the aim to improve lives and create jobs for a vast majority who are underserved by insurance. These programs target marginalized groups with a focus on providing financial security to the youth and women.

The ZEP-RE Academy is also responsible for providing training, sensitization and awareness to the DRIVE Horn of Africa project.

Christine Gitachu - Mungai.
Training Manager, ZEP-RE Academy.

Greetings from the ZEP-RE Academy, and welcome to our latest newsletter for the year!

We invite you to dive into a wealth of well-researched articles spotlighting the insurance industry's positive impact in fostering awareness and creating visibility to drive tangible change across the continent.

The insurance and reinsurance landscape is buzzing with activity, navigating challenges from climate change impacts in East Africa to geopolitical tensions in West Africa and maritime risks in the Suez Canal. In this edition, we delve into the pivotal role of insurance in fostering sustainability across these dynamic environments.

Our focus shines on the growing landscape of microinsurance, a key driver in elevating insurance accessibility across Africa, where penetration rates have long languished below 3% in many nations. Africa is forging its path, crafting innovative solutions tailored to its unique challenges and taking charge in telling its own story about the spirit and ambitions of its young population.

Discover captivating stories illustrating how technology-enabled microinsurance is bridging gaps in health, personal accident, and last expense coverage for the informal sector, historically underserved by traditional insurance offerings.

The newsletter additionally previews the strides that have been made in crafting bespoke policies for sectors like agriculture. The discourse urges continuous innovation to uplift millions of African livelihoods through insurance mechanisms.

Our newsletter also offers insights into collaborative initiatives the ZEP-RE Academy employs to address skills deficit, a critical element in the race to increase insurance penetration.

We delve into the challenges faced by health insurers in Kenya and showcase joint efforts among stakeholders – insurers, reinsurers, healthcare providers, and intermediaries – working alongside regulators to forge mutually beneficial solutions.

As global attention intensifies on climate-related risks, the newsletter explores how insurers and reinsurers are championing environmental, social, and governance initiatives in Africa.

This newsletter is just a glimpse of what's to come in the year ahead. Enjoy your read and stay tuned for more exciting updates!

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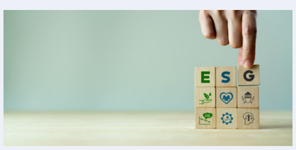

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Medical Insurance Dialogue: Overcoming underwriters pain points

After bleeding for many years from the segment, players come together in search of means to stem losses and make it sustainable

Many medical insurers in Kenya are grappling with rising underwriting losses majorly blamed on fraud, price undercutting and inefficiencies linked to under-investing in ICT infrastructure.

Insurance Regulatory Authority (IRA) data shows underwriting losses from medical insurance widened to KES1.15 billion in the three months ended March 2023 from KES628.6 million in a similar quarter in 2022, overtaking the KES726.9 million loss that had been made in 2022.

Industry players are now coming together to talk about solutions to the pain points of this class of insurance that makes about a third of the general insurance premiums. Medical insurance in 2022 accounted for KES54.89 billion or 32.5% of premiums collected by general insurers.

Growing collaboration

ZEP-RE Academy has been collaborating with IRA and the Association of Kenya Insurers (AKI) in conversations themed 'The Kenya Medical Dialogue' where industry players discuss ways of making this class of insurance sustainable.

The first medical insurance dialogue was held in November 2022, followed by another one in May 2023, pointing to the sector's growing collaboration in building sustainable business models.

ZEP-RE key accounts manager in the medical department Brian Tarus says such joint initiatives are going to support best practices in the continent for the benefit of all stakeholders.

"Medical is one of the areas that is bleeding the industry and it calls for concerted efforts to be able to address these challenges. Individually as insurers or reinsurers, it is difficult to address something like fraud and so the best way is to bring all stakeholders on board. This is why we started these dialogues," said Mr Tarus.

Rife competition

The inaugural dialogue delved into the challenges such as the low coverage of the informally employed who make up the majority of the population, the high cost of medical care in private healthcare facilities and the rife competition.

The workshop also provided a platform for the industry players to discuss how the lack of data sharing among insurers is adding to their pain points.

The inaugural workshop set the stage for the second one which saw participants underscore the significance of enhanced collaboration in finding lasting solutions.

"As stakeholders in healthcare, we need to work more collaboratively for better bargaining power on behalf of our clients, in our quest as healthcare insurance providers towards provision of affordable and quality healthcare for all," said Njeri Jomo, CEO of Jubilee Health Kenya.

The dialogues have been very successful in getting joint commitments from the industry players, according to Mr Tarus who says the pledges have been documented and shared with AKI for implementation. The progress will be tracked and discussed in subsequent workshops.

"On data sharing for example, it was agreed that insurers will come up with a framework for sharing data, especially for large schemes, to encourage some uniform pricing based on loss ratios. The differentiating factor will be the extent by which an underwriter decides to load more for costs or profits," said Mr Tarus.

There was also a consensus among stakeholders, including health insurers, reinsurers, healthcare practitioners, agents, brokers, the regulator and technology players that automation and digitization can potentially solve pain points such as fraud and inefficiencies.

'As stakeholders in healthcare, we need to work more collaboratively for better bargaining power on behalf of our clients...'

Central respository

On technology, the industry agreed to support AKI in its ongoing project of creating a central repository of information and also for underwriters to collaborate with technology players such as Smart Applications Group, Savannah Informatics, MyDawa as well as Mobile Network Operators like Safaricom in co-creating solutions for the industry.

AKI is working on an integrated health information exchange and management system— an all-inclusive system that will enable medical underwriters and health service providers to share agreed information on a real-time basis.

Manager for general insurance business at AKI, William Kiama, said having centrally-shared data will solve the current challenge where health data is segregated and often not able to inform industry decisions to improve the business and help address gaps in medical insurance.

"Better decisions are made using industry-wide data and therefore it is important for the industry to collaborate, share the individual data into a central server for the same to be analyzed and help us make better decisions," said Mr Kiama.

Mr Tarus said there was a consensus that the industry will start pursuing a value-based care model that has been adopted in some advanced markets as opposed to the fee-for-service model that is currently being applied.

Value-based care focuses on quality of service as opposed to quantity of service and is more difficult to administer but has great potential for better outcomes for all parties including the patients, providers and the insurers when implemented optimally.

Unleashinng potential

Fred Ruoro, the managing director at CIC General said unleashing the potential of medical insurance in the country will require that underwriters collaborate in getting solutions to industry challenges.

"As underwriters, if we continue competing without seeking collaborations on industry challenges such as escalating costs and fraud, in 10 years' time, as an industry, it will be detrimental for all. We must work with data and articulate the additional value we are providing to our clients. The time for collaboration is now," said Mr Ruoro.

The relevance of medical insurance cannot be overemphasized and it is therefore in the interest of all stakeholders to embrace a collaborative approach to make it sustainable. Addressing the many paint-points in this class of insurance holds the key in driving down prices and growing uptake.

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Inside Africa's bold bet on microinsurance

Stung by the stubbornly low insurance uptake on the continent, players now turn to the bottom of the pyramid which includes smallholder farmers, traders and manufacturers to increase penetration

Africa's rising uptake of microinsurance products in sectors such as agriculture, health and transport presents the best bet in deepening the penetration of insurance in a continent where coverage for many countries is below three per cent.

Microinsurers in different markets such as Kenya, Rwanda and Zimbabwe are increasingly tapping into the rich base of smallholder farmers, traders, manufacturers and people generating livelihoods on a small and generally vulnerable scale in the informal sector.

The microinsurance products are increasingly resonating with people at the bottom of the pyramid and those in the informal sector. This is thanks to affordable premiums and flexible payment terms that are pegged on customers' cash flow patterns and simple documentation.

Only 3% of Africa's GDP is covered by insurance, which is less than half the world average of 7%, according to Swiss Re Institute World Insurance statistics released in July 2023. Yet, insurance provides a safety net from many external threats like natural disasters, health threats, and economic disruptions.

Many of the conventional insurance products in areas such as health, education, motor and pension have historically locked out many people in the informal sector who find the monthly premiums too high. Conventional insurers have begun to develop microinsurance products— a sign that traditional insurers are also disrupting themselves to appeal to customers who had been excluded by the traditional products.

The Kenyan insurance market is for instance seeing increased interest from foreign investors and non-conventional insurers who have been embracing collaboration in the distribution of microinsurance products.

At the heart of this increased uptake has been the use of technology in designing, distributing and paying claims. This has helped cut the high distribution costs that have been a big barrier for many conventional insurers.

Restructuring and rebranding

The introduction of microinsurance products, helped by insurtechs, who are riding on accelerator programs, sandboxes and incubators, is helping reach millions of people who have struggled to find the appeal of many of the traditional insurance products.

"Microinsurance products have increased both in numbers, and types. While a few have been 'dropped',these have mainly gone through restructuring and rebranding. This speaks to increased interest in this area," said Tom Gichuhi, the chief executive at the Association of Kenya Insurers (AKI) during the launch of a survey on the state of microinsurance in the country.

Health, personal accident, and last expense are so far the most popular microinsurance products demanded, according to the AKI findings. Other products that are seeing increased interest include crop and livestock insurance especially as the frequency and severity of incidences such as drought and floods rise.

ZEP-RE (PTA Reinsurance Company) is currently implementing the World Bank-backed De-Risking, Inclusion and Value Enhancement of Pastoral Economies (DRIVE) that covers Kenya, Ethiopia, Somalia and Djibouti. DRIVE has seen a strong demand in Kenya, having signed up over 73,000 pastoralists in hardly the first five months of its roll-out. This is way ahead of the initial plan of enlisting 25,000 pastoralists by the first year and doubling this in the second year.

Increased penetration

Kenya's Treasury cabinet secretary Njuguna Ndung'u said during the reading of Kenya's budget statement for 2023/2024 that the Insurance Regulatory Authority (IRA), which oversees insurance business in Kenya, will be rolling out a revamped microinsurance framework to further contribute to increased penetration coverage for individuals with low income.

"The Authority (IRA) will strengthen private insurance's role in universal health coverage, promote crop and livestock insurance and support insurance for micro, small and medium sized enterprises," said Prof Ndung'u.

ZEP-RE has been working with governments and market players across Eastern and Southern Africa to offer life and non-life micro insurance products.

As a thought leader and supporter of insurtech, ZEP-RE has also been identifying and supporting specific companies that contribute to improving access and affordability of insurance products in high-impact sectors such as agriculture, healthcare and financial sector.

The 2023 inaugural ZEP-RE InsurTech Program ended on October 27 th in Rwanda after six months of insightful mentorship, capacity building, corporate connections and progress, with the top three insurtech startups getting a combined $30,000 to support their ideas.

'Microinsurance products have increased both in numbers and types...'

AKI chief executive officer Tom Gichuhi

Laina Finance emerged as the overall winner and was awarded $15,000. The firm provides a digital platform that allows for cash and credit payment for insurance. E-arbitrator, which runs a case management platform that allows access to arbitrators for resolution of disputes between insurers and the insured, came second and was awarded $10,000. Karisimbi Technology Solutions came third and was awarded $5,000 for its electronic medical records software that eliminates paper work in hospitals.

Other such initiatives that are pushing for increased roll-out of microinsurance programs include FSD's BimaLab project, which for instance, set out to support insurtechs in 10 African countries in 2023. Bimalab has since its inception in 2020 enabled 40 insurtechs to gain visibility and push for resources to scale their innovations, reaching three million customers.

ZEP-RE Academy, the training arm of ZEP-RE, in September 2023 held a microinsurance webinar with industry players. The webinar delved into, among other topics, the product design and distribution and emerging trends in microinsurance in Africa. The webinar delved into, among others, the product design and distribution and emerging trends in micro -insurance in Africa.

Repackaging for sustainability

The pace of developing flexible, affordable and well-tailored policies is catching momentum in different countries, especially with the regulators backing the progress.

These changing trends further present opportunities for the industry to rethink their business models with the overall objective of enhancing efficiency, cost reduction and improvement in the profitability that translates to long-term sustainability of the industry.

Insurers have a crucial role to play in ensuring protection against the new and emerging risks, especially for people in low-income, climate-vulnerable communities. With regulatory authorities supporting the development of such products and various financiers coming on board in the early and growth stages, the continent looks set to see an increased growth of microinsurance.

Microinsurance can help deliver protection and de-risk against disasters and associated risks to health and economic success The willingness of the insurance sector to evolve and try new possibilities promises to stimulate the development and uptake of new microinsurance products and increase coverage on the continent.

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How collaborations are addressing skills gap in the insurance sector

The evolving needs of the industry including customer demands are reinforcing the place of training to provide skilled workforce

Many insurance companies are looking for talented and motivated staff who can bring fresh perspectives and insights to the industry's evolving landscape.

The evolving nature of risks and customer demands reinforces the place of training to close skill gaps, as is done by ZEP-RE Academy, the training arm of ZEP-RE (PTA Reinsurance Company).

The Academy also partners with regional and international associations and institutions to provide training solutions that address market-specific knowledge gaps.

For instance, the Academy has collaborated with Kenya's College of

Insurance, the Insurance Training College of Uganda, UK's Chartered Insurance Institute (CII) and SCOR—one of the major reinsurers in the world – in the provision of capacity building to develop insurance professionalism in the region.

Mr Isaac Olubitan, the CII International Manager - Africa, Americas, Caribbean & Europe, says the collaboration with the Academy has helped in identifying knowledge gaps and respond with targeted training.

"CII isn't physically on the ground in Africa but through the collaboration with ZEP-RE Academy, we are able to lend each other strength. In the year that has gone by and in the year before, we have been good at working together to identify the key needs in the market," said Mr Olubitan.

"What collaboration does is allow us to put forward a number of solutions when it comes to learning and development. This is part of what we do with ZEP-RE Academy."

Mr Olubitan adds that the emergence of risks such as climate change and cybercrime are hastening the demand for ensuring that insurance professionals are up to speed on what is required to suitably handle such emergent areas.

Collaborations

Such collaborations have enabled the Academy to enhance the technical competencies of insurance and reinsurance practitioners in areas such as life and medical, engineering and fire, marine, microinsurance and agriculture.

In 2023 alone, there were 5,307 participants who attended trainings held in collaboration with the Academy. This builds from 2022 when the Academy trained and duly certified 1,211 participants from 34 countries from training programs made possible through collaborations.

ZEP-RE Academy training manager Christine Gitachu says the insurance industry needs to develop incentives for continuous professional development (CPD) to increase the motivation for employees of insurers and reinsurers to upskill.

"Despite the insurance industry not demanding that insurance professionals attain annual CPD points, the Academy will continue to deliver on its mandate to train insurance professionals. We need the support of insurance institutions and associations to come out strongly and incentivise their members towards continuous professional development," said Ms Gitachu.

'CII isn't physically on the ground in Africa but through the collaboration with ZEP-RE Academy, we are able to lend each other strength'

CII International Manager for Africa Isaac Olubitan

Dr Ben Kajwang, the chief executive of the College of Insurance, Kenya, says the trainings have helped improve the standards of underwriting while also helping industry players in the Common Market for Eastern and Southern Africa (COMESA) region and beyond to excel in their careers.

He says that while tight budgets could tempt many underwriters to ignore trainings, collaborations such as that of ZEP-RE Academy and the College of Insurance can help lower costs for upskilling.

"Our partnership with ZEP-RE Academy has upskilled professionals in the East African region and across the continent. The net effect is that the trainings have brought high hygiene and sanity to the insurers and reinsurers world," said Dr Kajwang.

ZEP-RE Academy in collaboration with the Chartered Insurance Institute (CII), UK, in November 2022 and April 2023, for instance, organised two workshops in Mombasa and Dar es Salaam respectively, equipping participants with a practical understanding of various principles of maritime insurance.

"The beauty of this programme, where we were able to send CII experts to deliver the program locally, is that by visiting the port, the individuals were able to take away practical experience that they can use from the first day at work," said Mr Olubitan.

Skills and professionalism

ZEP-RE Academy in November 2022 and May 2023 collaborated with the Association of Kenya Insurers (AKI) and the Insurance Regulatory Authority in hosting the Kenya Medical Insurance Dialogue Workshop in Nairobi to discuss the pain-points in this class of insurance and the possible solutions such as adopting technology.

The Academy, since inception, has partnered with the College of Insurance to deliver its flagship program, The Proficiency in Short-Term Reinsurance Practice & Claims Management (PSTRP). The PSTRP is examined and certified by the College of Insurance.

Mr Olubitan says it is very important that the level of skills and professionalism in the insurance industry is constantly reviewed and raised if the industry is to win the trust of customers and deepen insurance uptake.

"If we are to increase the level of penetration, we have to get to the point where we put the customer first. The way to do that is by ensuring that we have the right level of knowledge to be able to deliver the needs of the general population," he says.

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ESG: A growing sense of urgency for insurers

Environmental challenges such as floods and droughts draw attention of the insurance industry

Africa's insurance sector is increasingly developing a sense of urgency towards environmental, social and governance (ESG) issues including climate change, providing a strong incentive for innovation.

The ESG issues, also known as sustainability issues are progressively beginning to receive attention from insurers and reinsurers especially with challenges such as floods and droughts posing a shared risk to societies across the continent.

The Nairobi Declaration was for example the highlight of the three-day inaugural Africa Climate Summit held in Kenya in September 2023, in which the continent agreed on a common stand in addressing climate-related issues.

Through the declaration, African countries want the international community to contribute to increasing the continent's renewable generation capacity from 56GW in 2022 to at least 300GW by 2030 to address energy poverty and bolster global supply of cost-effective clean energy for powering industries.

The insurance sector is poised to have an outsized role in supporting the continent's transition to a climate-conscious economy given that insurance is about risk transfer and the climate transition is about risk, risk mitigation, and risk transfer.

ZEP-RE was among the industry players who shared their expertise on the insurance sector's role in Africa's climate resilience during the Africa Climate Summit.

The AU event adds to other key initiatives on the continent that insurers are getting involved in as the ESG agenda gathers pace.

The Nairobi Declaration on Sustainable Insurance, which in November 2022, pledged to set up Africa Climate Risk Facility to underwrite $14 billion climate risks such as floods and droughts by 2030, is another move by insurers to ride on ESG for increased resilience of communities.

Over 85 insurance and reinsurance players from different countries including Kenya, Cameroon, South Africa, Mali, Mauritius, Ghana, Togo, Zimbabwe, Mozambique, Namibia, Egypt, Gabon and Sierra Leone are signatories to the declaration that was formally launched in Nairobi in April 2021.

Scale up underwriting

The facility will become one of the largest first local market-based disaster risk finance solutions involving underwriting firms.

The facility, which aims to protect at least 1.4 billion people against floods, droughts and tropical cyclones by 2030, will serve as a mechanism to scale up private sector underwriting of climate disaster risk in Africa.

The signatories are calling for $900 million in funding from development partners and philanthropies to support the project which seeks to subsidize premiums. The money will be held in a trust and managed by African Development Bank (AfDB).

Such a multi-donor approach will help accelerate the move towards a sustainable self-functioning insurance industry in Africa given the prevailing constrained resources and low technical ability to underwrite complex climate risks.

The African Development Bank in September 2023 unveiled the Africa Climate Risk Insurance Facility for Adaptation (ACRIFA), showcasing the collaborative approach in insulating countries against catastrophic weather-related events

The AfDB president Akinwumi Adesina said the bank would raise an initial $1 billion of concessionary high-risk capital and grants to catalyze the development and uptake of insurance solutions to help countries, businesses and communities adapt to climate change.

"Extreme weather patterns negatively impact the livelihoods of many millions of farmers in Africa, the majority of those being women. One way we can tackle this issue is to be sure that farmers have access to crop and livestock insurance," said Dr Adesina.

ESG guidelines

While the ESG focus has been more about self-drive by underwriters and other financial sector players, some markets are also coming up with regulations to speed up this focus on ESG matters.

Nairobi Securities Exchange for instance in 2021 published the ESG guidance manual that compels firms listed on the bourse including insurers, to disclose sustainability initiatives including conserving nature and promoting diversity.

The move put the East African country at par with other markets such as Egypt, Nigeria and Botswana where such guidelines have been enforced to catalyse the focus on ESG.

However, the rising severity and frequency of climate and natural disaster risks such as cyclones and droughts in a continent where insurance coverage is below 3%, means underwriters still have a lot of room left to cover.

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Opinion

Insurers role in putting sustainability at the centre of Africa's growth

Insurers can play a critical role in choosing investments that are well-aligned to their environmental and social responsibilities given their wide reach and expansive interests

A couple of years back, things were different. Some of these differences can easily be spotted, whilst others you cannot quite pinpoint due to their subtility.

However, the changes can be felt. One such glaring change is in the environment, with drastic weather conditions that can no longer be ignored.

The average temperature of the earth's surface is now about 1.1 degrees Celsius warmer than it was in the 1800s, with the last decade (2011-2020) being the warmest on record, according to the UN which adds that the last four decades have been warmer than any previous decade since 1850.

Human rights

We can now see the consequences. They are real! The cyclones in Mozambique, the floods in Nigeria, the wildfires in California, the drought spells in Kenya where the once timely rain seasons are no longer reliable.

In the same breadth, social mindset changes are occurring in the corporate space. Corporates embedding social factors within their business relationships, ranging from employees, suppliers, customers and communities, have become common. This consists of inclusivity and diversity, being conscious of human rights, labour practices and community engagement.

From a governance perspective, we have noted intentional ethical leadership and management practices keen on transparency and accountability in protecting the varying interests of shareholders and other stakeholders.

Amongst the three ESG factors, the insurance industry seems to be on track in incorporating the social and governance factors. However, the environmental factor has yet to be embraced at the right levels to have a meaningful impact.

Global economies are undergoing sustainable transformation. The insurance industry is a crucial player in that multifaceted transformation as an institutional investor since they control large funds and support the transitions of their portfolios and their value chains into net-zero or near zero.

As institutional investors with significant investment portfolios.

Long-term strategy

Insurers and reinsurers shouldn't view decarbonization as a corporate social responsibility (CSR) but rather as a long-term business strategy to, first and foremost, turn around their balance sheets—which are currently being hit hard by the climate risks— and secondly, to ensure business growth by having more insurable populations.

Recently, we have seen insurers shy away from covering households in areas prevalent with wildfires, which automatically reduces their gross written premiums (GWP) on that product line. The third element – decarbonization— is the reduction of internal costs related to waste and energy efficiency accruing which will have a positive impact on their balance sheets.

Beyond the above, insurers should intentionally develop and offer products that promote environmental sustainability.

Projects have cropped up in renewable energy, green building initiatives, and many other environmentally friendly investments. Favourable insurance products would encourage and drive more investments in those areas, consequently increasing GWP for the insurers.

Insurers have access to vast volumes of data that can be analyzed to evaluate the ESG performance of the companies they insure. This information can then help guide underwriting decisions and help clients improve their sustainability practices.

Insurers should intentionally develop and offer products that promote environmental sustainability

Power to make positive change

In conclusion, the challenges we face on climate change are man-made, and we have the power to make the positive changes required. It starts with each of us, as individuals and as institutions, pulling synergies and starting with baby steps to make a difference.

The steps do not have to be complicated; insurers can start with basic things such as switching to electric vehicles or motorbikes for company errands to converting our backup power in our offices from generators to solar panels. These are the scope one carbon emissions reduction which are attributed to sources owned or controlled directly by a company.

Then we can slowly transition to scope two which are indirect sources such as electricity consumed by a company and then scope three emissions which are also indirect— a good example being the carbon foot print by employees as the commute to work. However, we must all start somewhere.

By Diana Chepng'eno

Diana Chepng'eno is the regional coordinator, UNEP Finance Initiative's V20 Sustainable Insurance Facility for Africa &Middle East region

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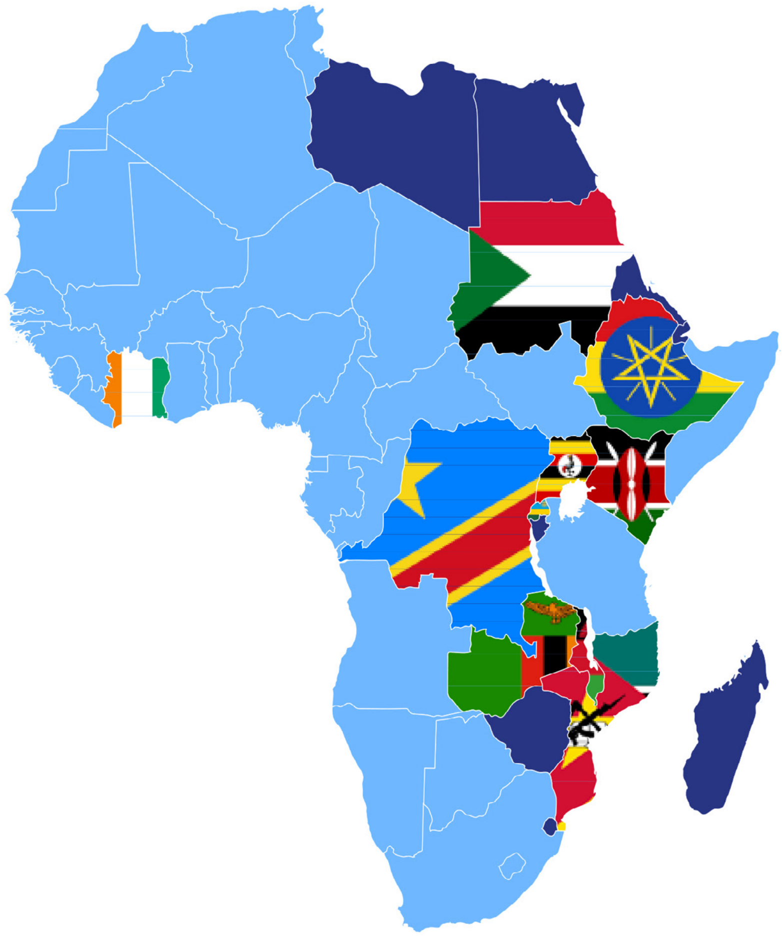

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