

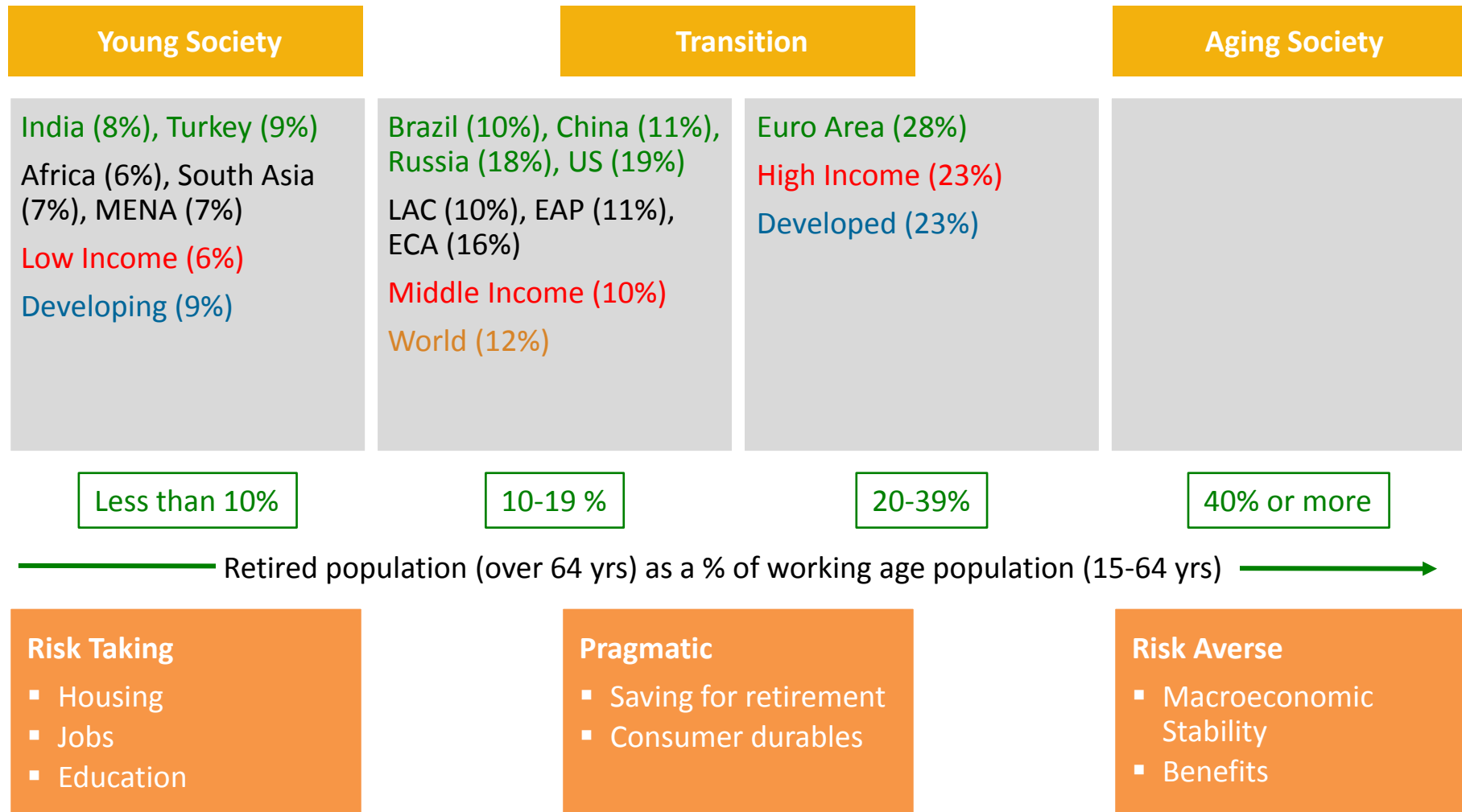
# Presentation to 38th General Assembly of FANAF Ouagadougou, 17-21 February 2014



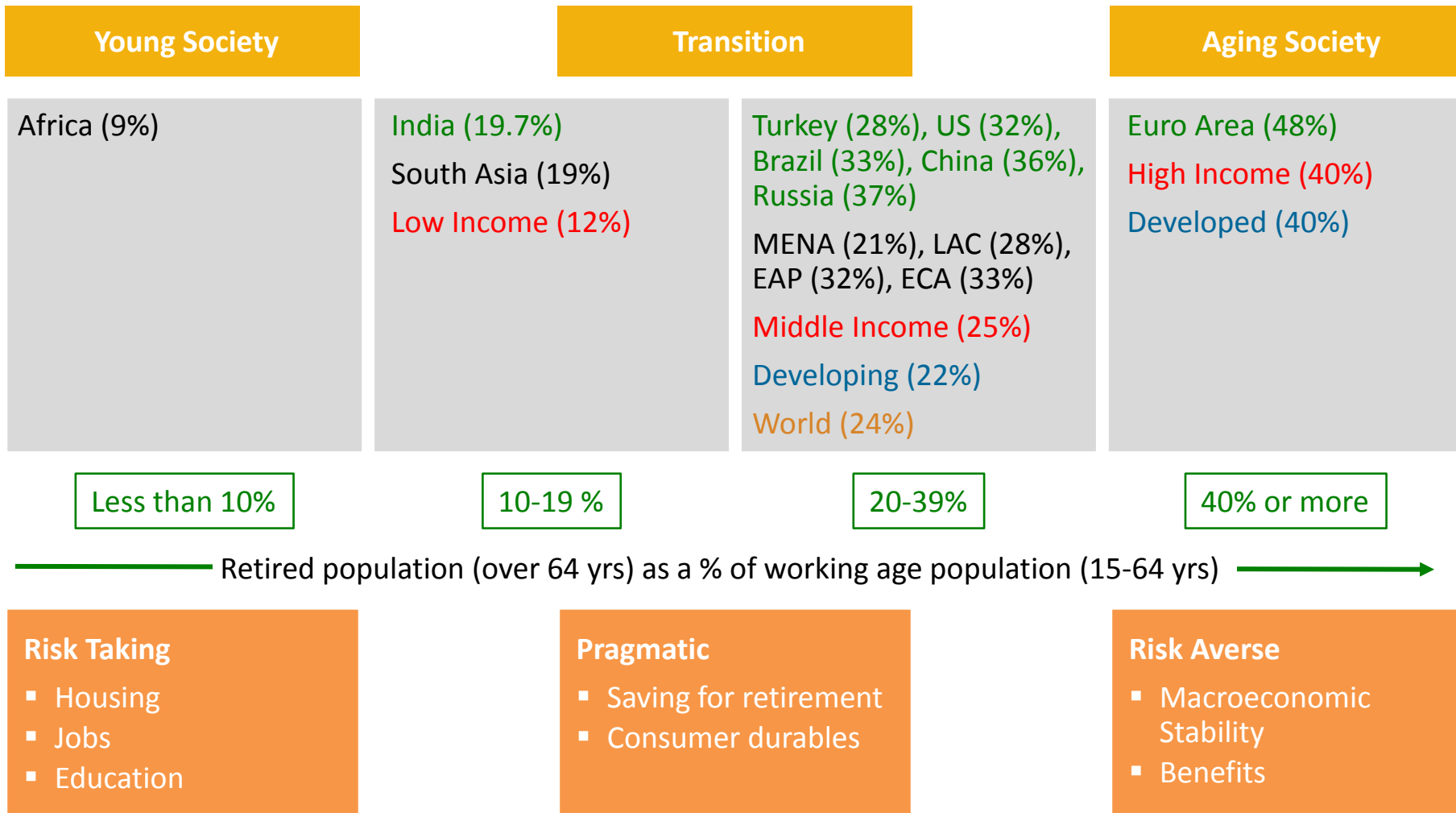
- **Global Demographics**

- Africa Market Size & Growth Drivers
- Key players & Competitive Landscape
- Bancassurance

# Regions and Aggregates by Age - 2010

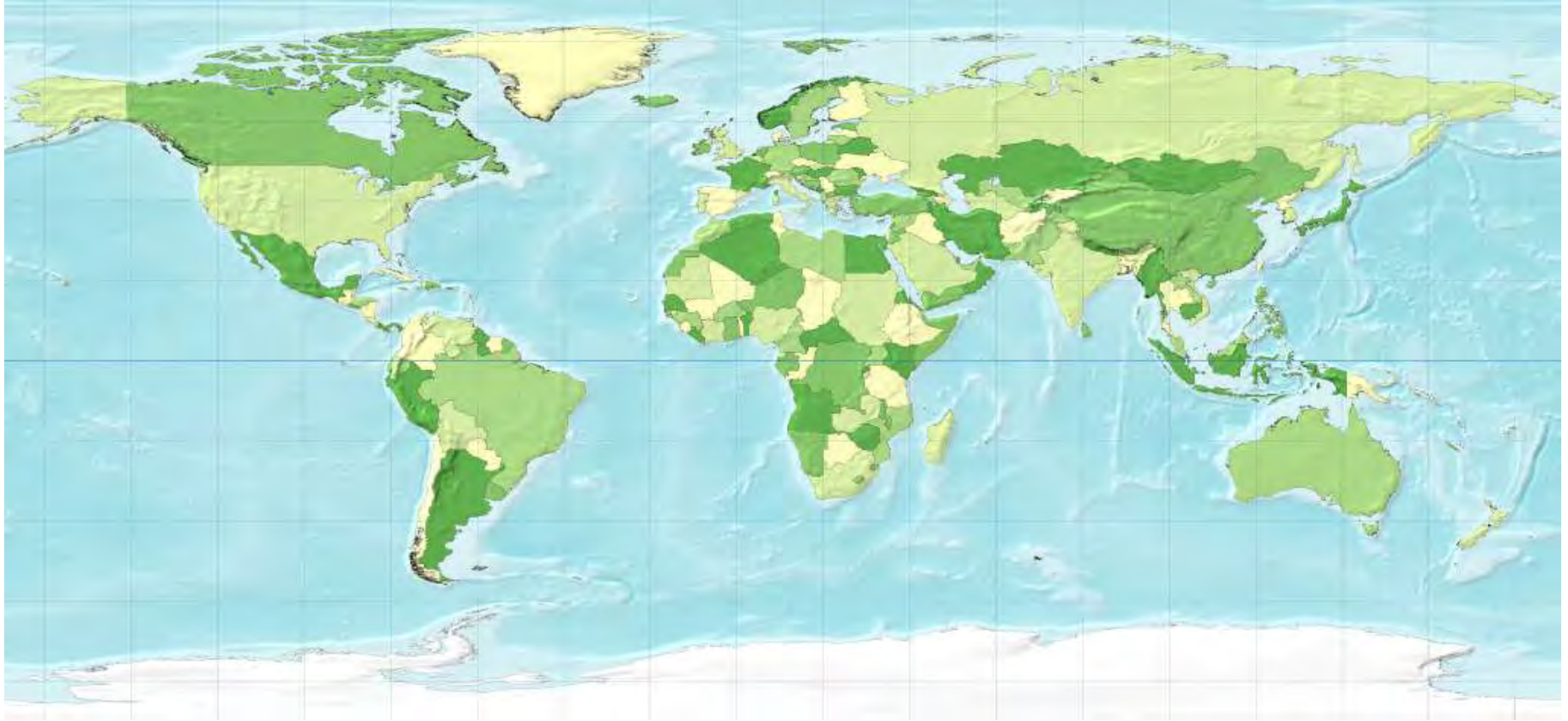


# Regions and Aggregates by Age - 2050



- Global Demographics
- **Africa Market Size & Growth Drivers**
- Key players & Competitive Landscape
- Bancassurance

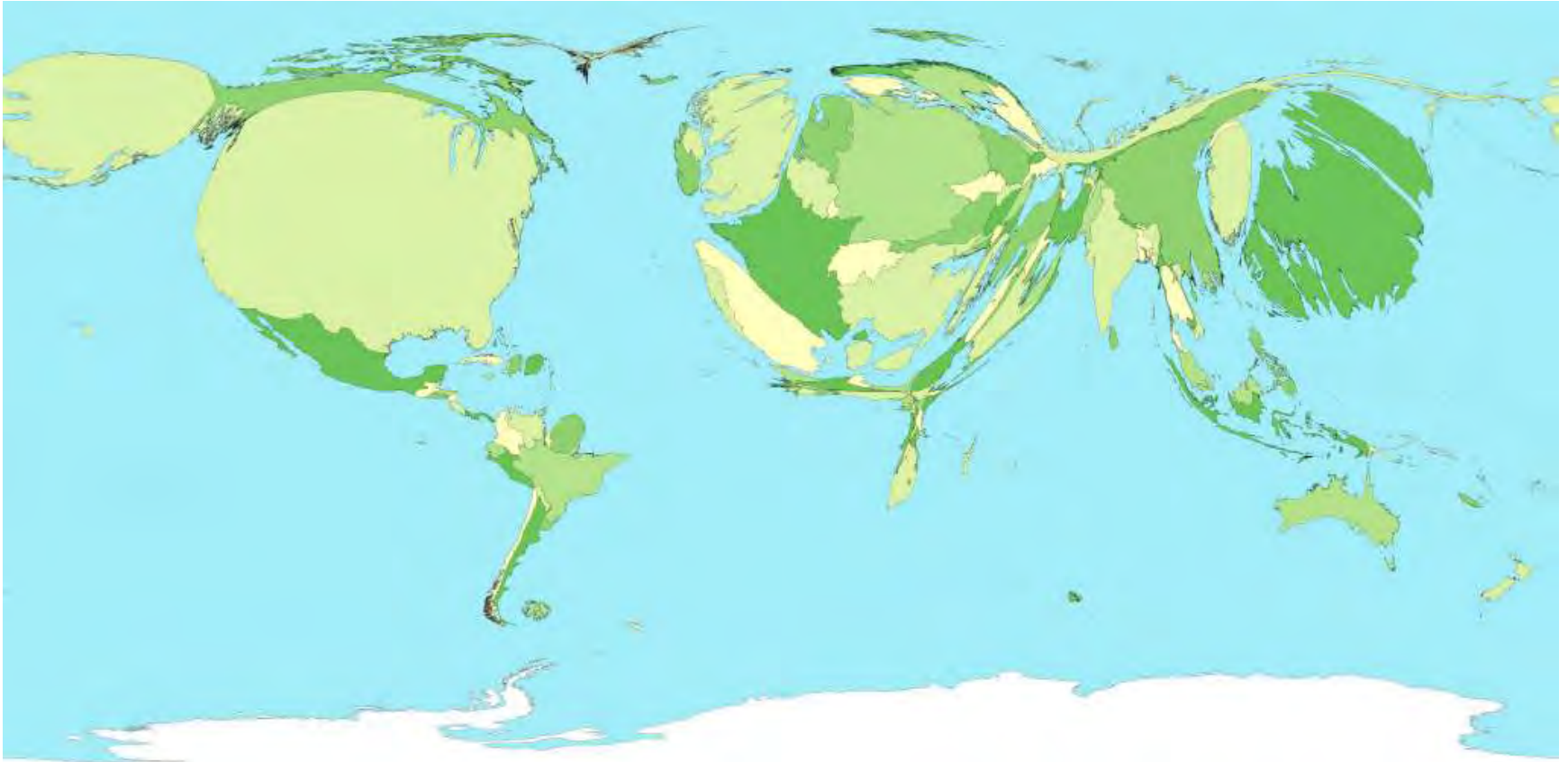
# Carte du monde



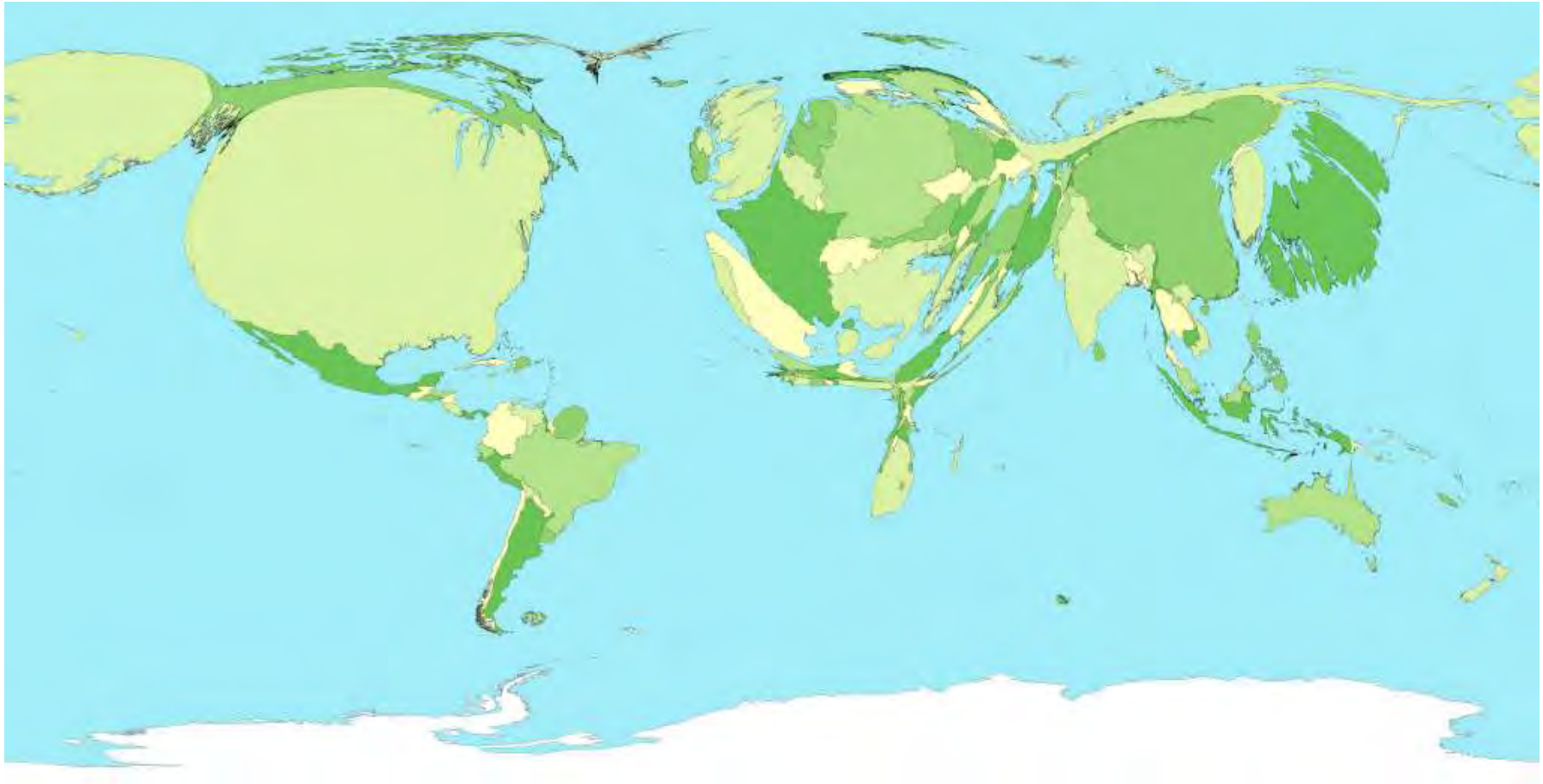
# POPULATION



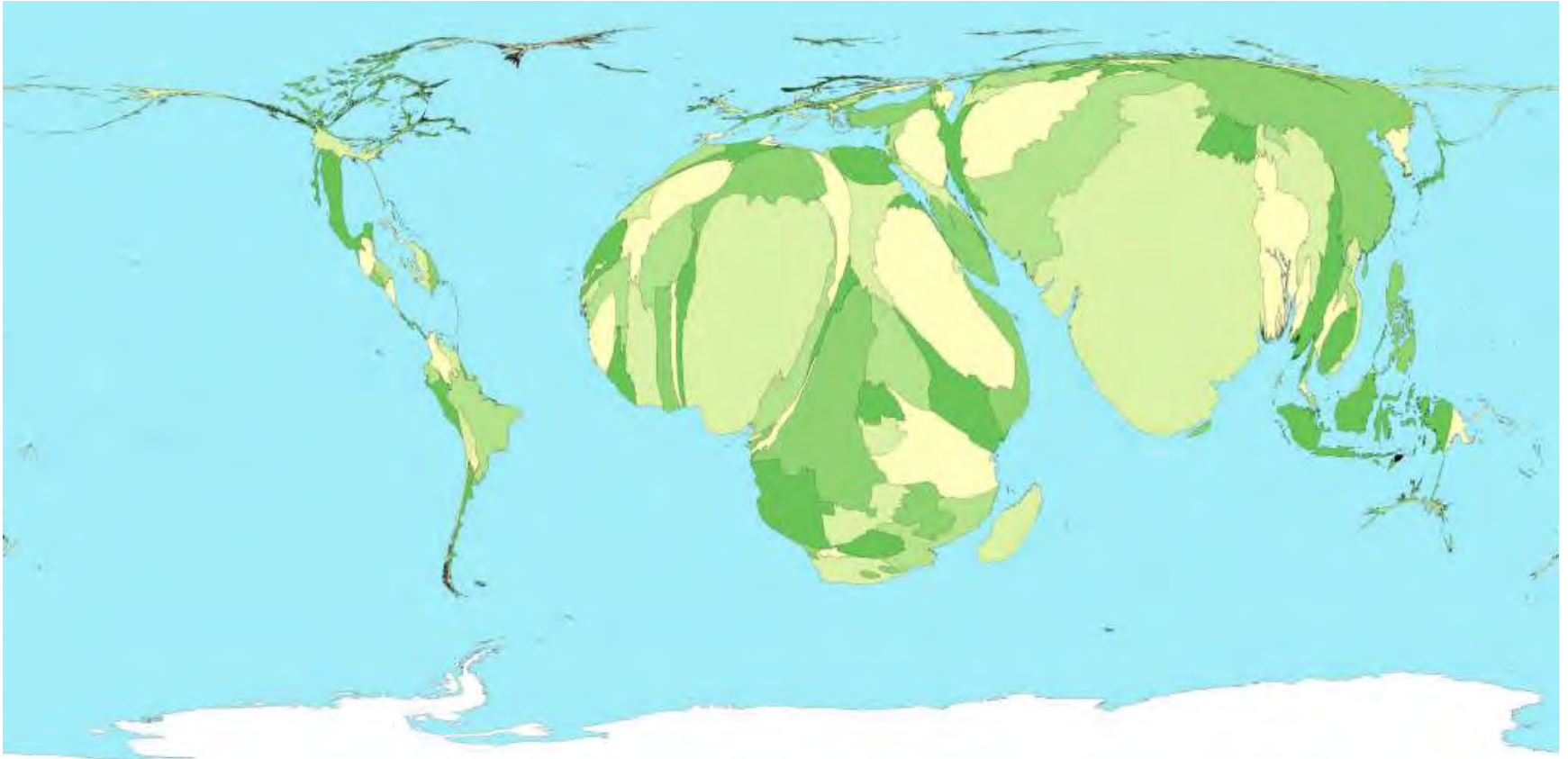
# PIB



# DEPENSES DANS LA SANTE



# MORTALITE INFANTILE



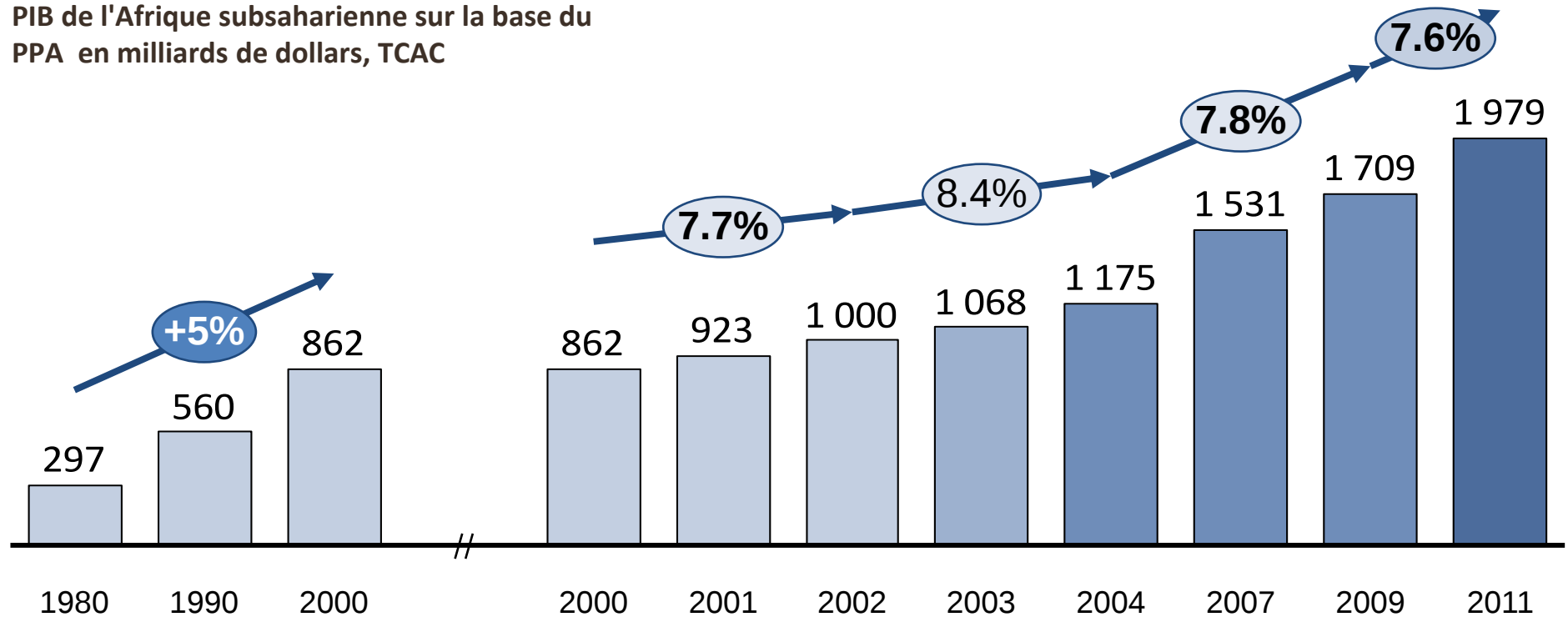
# Tout est une question de perception



# Après trente ans d'une croissance économique lente, l'Afrique subsaharienne passe à la vitesse supérieure



PIB de l'Afrique subsaharienne sur la base du PPA en milliards de dollars, TCAC

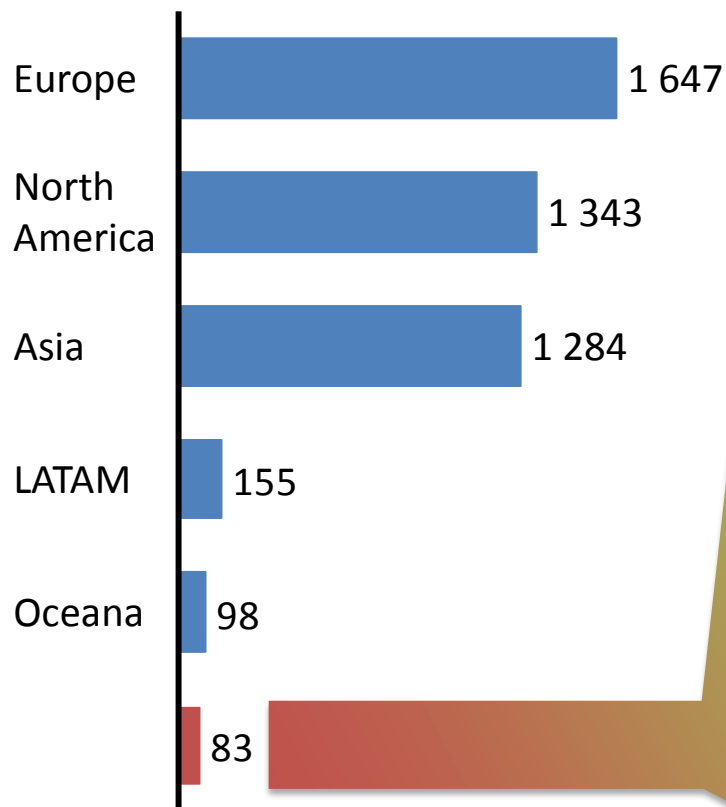


# The total African insurance premium pool is only USD 83 billion but has grown by 8% over the last 5 years

USD billions

## Gross written premiums by region

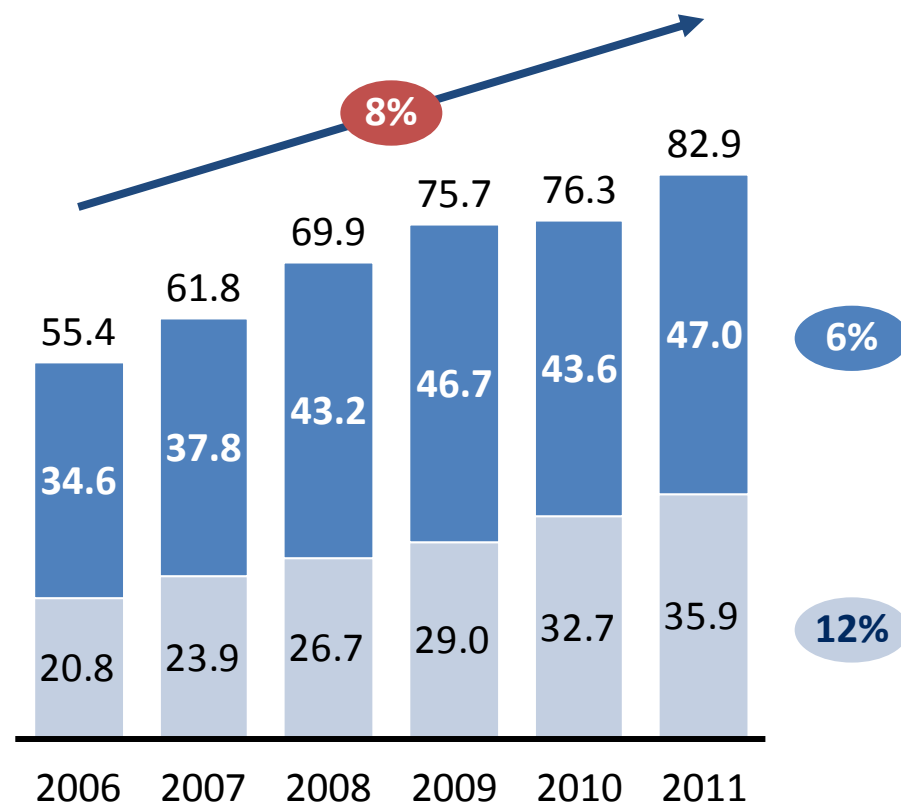
2011



## Africa gross written premiums

2006-11

Life Non life CAGR (2006-11)

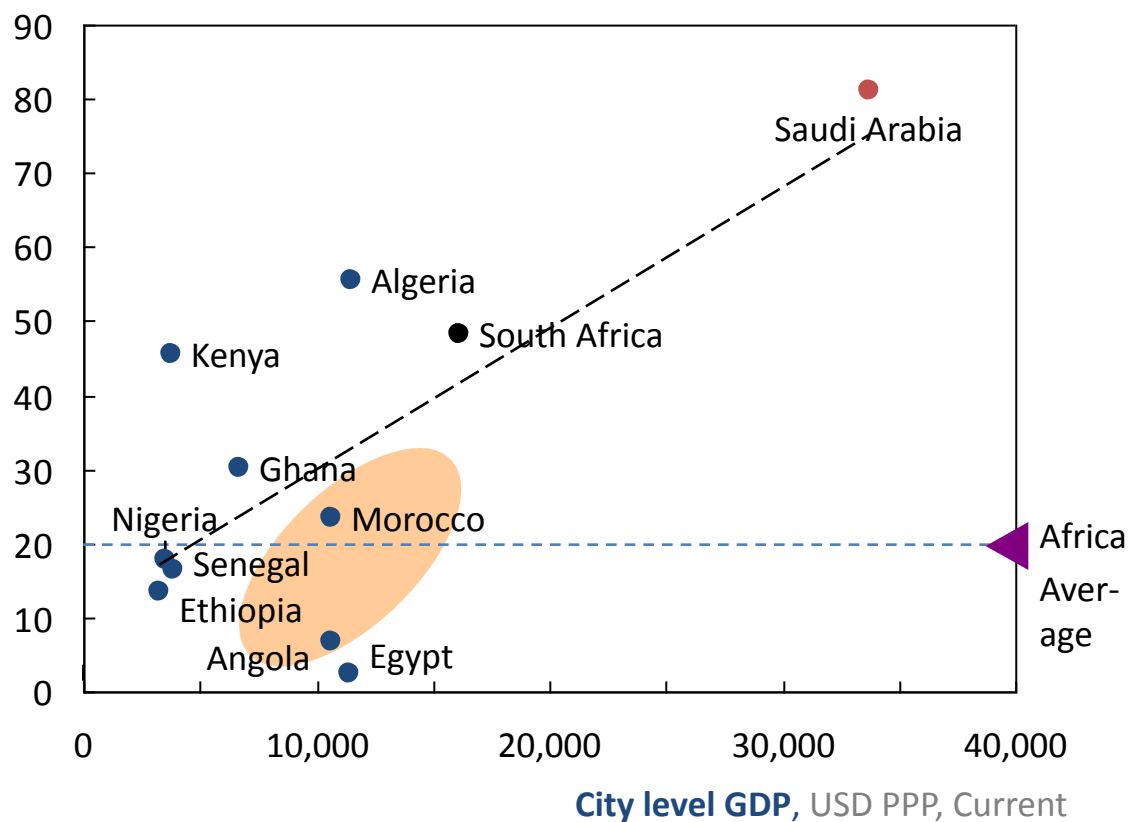


# Insurance penetration in Africa is relatively low with most penetration in the upper social economic classes

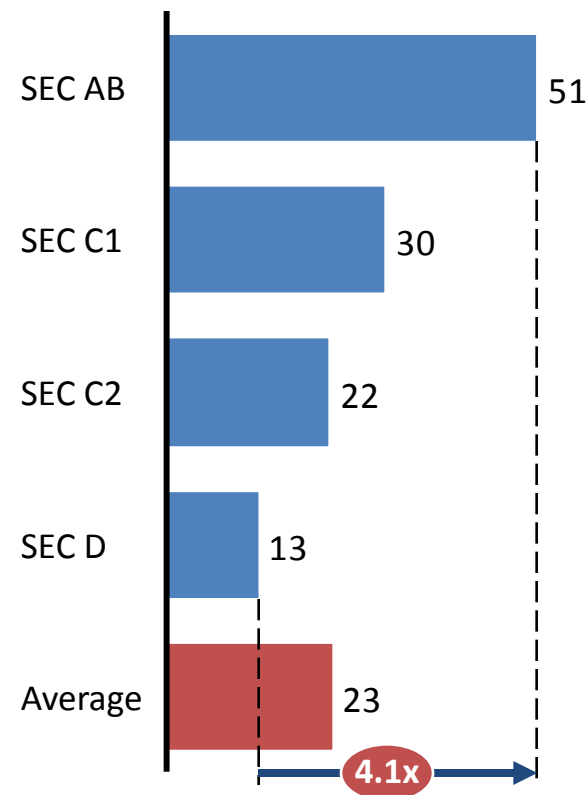
Only 23% have insurance ...

## Formal insurance product ownership

% of urban population



... with upper SEC member being 4 times as likely to have insurance as their lower SEC peers



SOURCE: ACIC 2011 Survey

# Insurance penetration is expected to increase due to macro-economic and sector specific trends such as growing middle class and regulatory reforms

## Insurance trends

### Regulatory reforms boosting penetration due to compulsory insurance on certain products



- NAICOM in Nigeria urged the government to ensure all buildings are adequately insured

### Product and distribution innovation such as mobile/internet insurance is expected to boost



- M-Pesa, mobile microfinance, operates in SSA where it accounts for 7% of Vodafone's total money transfer revenue
- 50% of internet users are in aspiring countries and their number is growing at ~5x the rate in developed countries

## Africa macro-economic trends

### Infrastructure development will increase significantly



- Infrastructure investments of ~ USD 1.5 trillion are planned between 2012 and 2020

### There is a growing middle class and the population is increasingly urbanizing

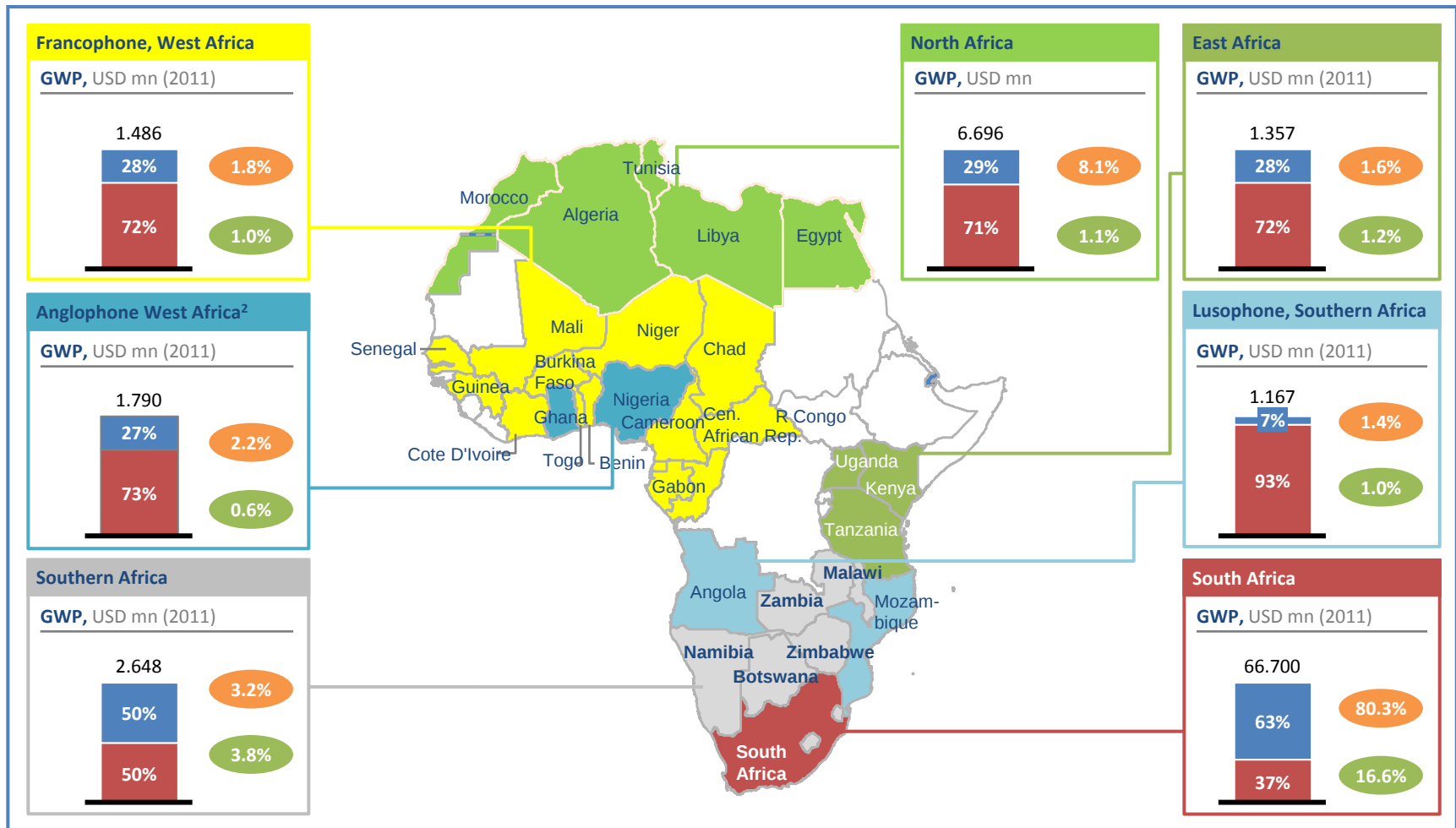


- There is expected to be ~128 million households earning >\$5000 by 2020
- African urban population is expected to grow to 489 million by 2020

- Global Demographics
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# There are 7 primary insurance regions in Africa with South Africa constituting 80% of premiums

■ Life ■ Non-Life ○ x% Premiums as % of total Africa premiums ● x% Penetration<sup>1</sup>



1 Penetration = total GWP / nominal GDP, 2011

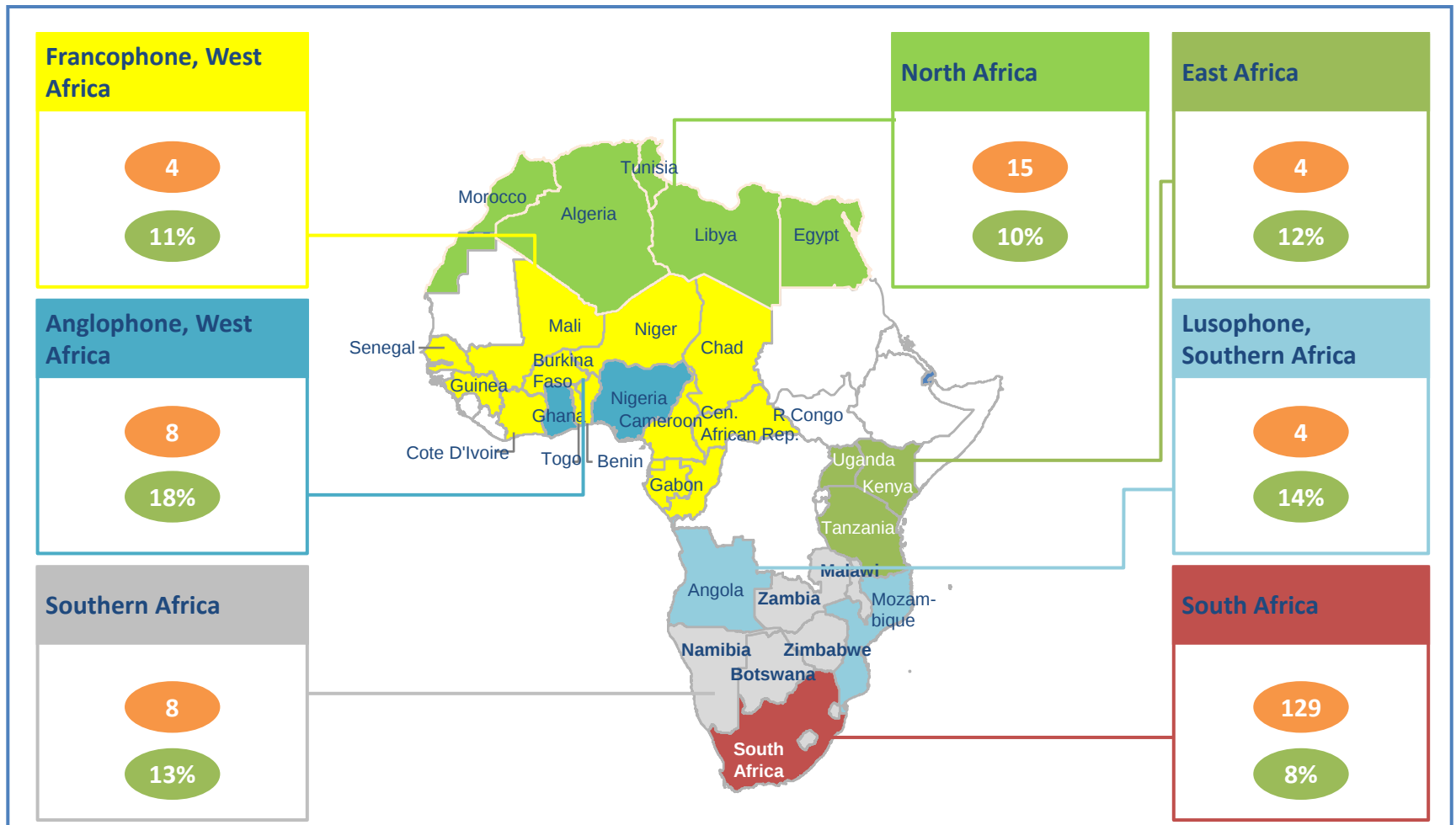
2 2010 numbers for Ghana

SOURCE: Swiss Re Sigma; Insurance regulator reports; OANDA, Worldbank; IMF

# By 2020, Africa will represent more than USD 43 bn outside of South Africa

x% GWP in USD bn

x% Estimated growth rate



SOURCE: Worldbank, IMF; Analyst forecasts and estimates; McKinsey Global Insurance Pools; McKinsey analysis

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## Nigeria

- With the repeal of the universal banking license, **banks can no longer directly own insurance underwriting subsidiaries**. However, they **can still indirectly invest in the insurance industry through a group holding company**, and **bancassurance (distribution but not underwriting) is allowed**

## Kenya

- Up until recently, there was no regulatory framework in place to support bancassurance. In May 2013 the central bank of Kenya issued guidelines for banks called "Guidelines for incidental business activities".
- This was the first step toward opening up the bancassurance industry, and the guidelines state **that an institution acting as an insurance distribution channel shall not undertake the actual business of underwriting**.

## China

- In March 2012, regulatory control on bancassurance was increased. Amongst other, a significant change to the regulation stipulated that insurance salespeople were no longer allowed to conduct sales activities in bank branches. **A 15% reduction in bancassurance sales was experienced in the year following this ruling.**

# Successful bancassurance case examples in South Africa have been FirstRand and Liberty

## FirstRand

- Prior to 2007 FirstRand Group held significant stakes in three key insurance divisions: Discovery (health insurer), Outsurance (P&C insurer) and Momentum (life insurer); each branded and marketed separately even when part of the same group
- Over time FirstRand divested of each entity due to different strategic directions, and wanting to focus on core business of banking
- However FirstRand has still maintained partnerships with them enabling for a collaborative rather than fully integrated bancassurance model

## Liberty

- Liberty is majority owned by Standard Bank Group
- Despite being part of the banking group Liberty is branded and marketed separately and the bancassurance agreement was a formalised, well-structured agreement between the two entities
- Stanlib, the asset management arm was once part of Standard Bank but the group was restructured and now Liberty fully owns Stanlib
- Thus there was a definite separation made between banking of insurance and related activities

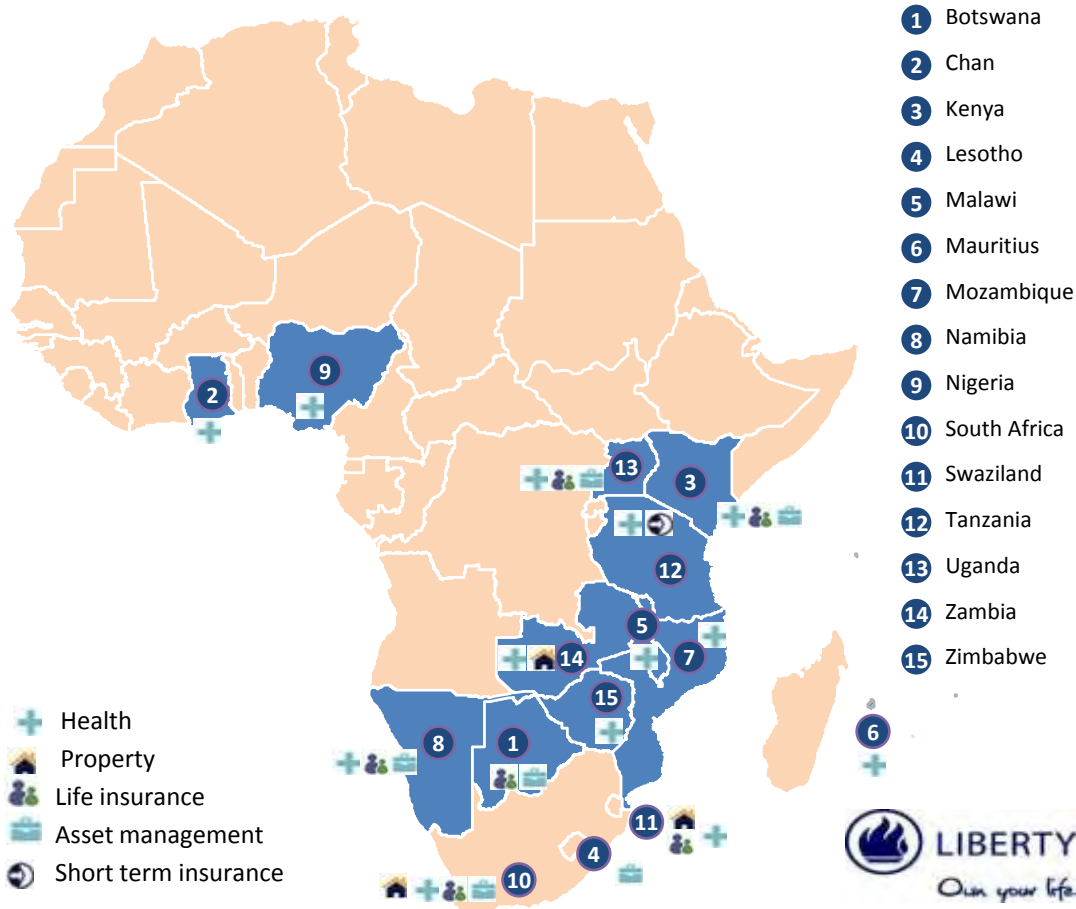
SOURCE: Company websites; General web and press search; McKinsey analysis

# Liberty has a partnership agreement with Standard Bank

## Key elements of the bancassurance agreement

- **Liberty is majority owned by Standard Bank Group**
- Despite being part of the banking group Liberty is **branded and marketed separately** and the **bancassurance agreement was a formalised, well-structured** agreement between the two entities
- **Economic benefits**
  - **Profit sharing on embedded business** (Liberty share of profits is 10%), advisory business (profit share for Liberty is 50%) and transactional business (profit share ranges from 50-65%)
  - **Stanlib earns asset management and other fees** on business sourced through bank channel. Standard Bank does not share in Stanlib's economic profit unless high water mark reached or after 2015
  - **Liberty does not incur significant infrastructure costs in its Africa expansion** strategy. **Profit sharing** ranges between 40-75%

Due to its formalised partnership agreement with Standard Bank, Liberty has expanded operations to 14 countries outside of South Africa



SOURCE: Liberty and Standard Bank website and reports; McKinsey analysis

**THANK YOU**

*Ecobank*  
*The Pan African Bank*