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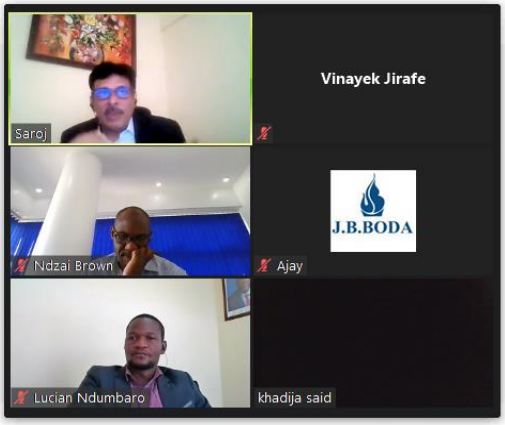

Training on Insurance & Reinsurance General Overview
for **Tanzania Insurance Regulatory Authority** from 27th to 29th April 2021

PRIME STORY

Insurance: the net giants are on the lookout

It looks like Internet giants and insurance companies are meant to be on a collision course, with the former standing as young companies, some of them only 20 years old, while the latter being sometimes over 100 years old.

GAFAMs are flexible, act quickly and bet on the future whereas insurers are conservative, act cautiously and envy the capacities of large technological companies to collect data.

Starting out with the initial focus limited to a single domain, GAFAMs have gradually turned to broader activities to increase their scope of operations. Thus, for almost a decade, Amazon, Apple and Google, to name but a few, have been looking for new outlets corresponding to their phenomenal capacity to collect and analyze data gathered from the web. A position that, in today's economy, gives them an unparalleled competitive advantage.

The GAFAMs, which have recently made a name for themselves in the field of financial services with their online payment solutions Apple Pay, Google Pay, Amazon Pay and Facebook Pay, are using their technological know-how to diversify and penetrate markets that they are radically transforming. For example, they are now gradually turning to insurance to offer revolutionary solutions, particularly in the health, motor and homeowner’s insurance sectors.

These Insurtech’s are exploring avenues that large insurance companies are less likely to pursue, such as ultra-personalized policies, social insurance, or the use of a new mode of data flow from connected devices.

For the GAFAMs, insurance is a product, "almost" like any other, that can be distributed via the Internet.

The concentration of the digital economy GAFAMs have succeeded where all companies have failed to date, holding a near-monopoly in their field of activity.

- **G**oogle is the most used search engine in the world. It accounts for almost 90% of the solicitations on the internet. In addition, YouTube channel, bought in 2006, is viewed more than a billion times a day, which makes it by far the most followed TV channel in the world,
- **A**pple controls 11.8% of the global smartphone market and 29.2% of the tablet market,
- **F**acebook is a social network visited by 2.7 billion users per month,
- **A**mazon has a market share of nearly 50% of e-commerce in the United States. It is the undisputed world leader in this field,
- **M**icrosoft's computer system operating tools are installed on nearly 88% of computers

These giant companies have taken advantage of a market that goes far beyond their national borders and extends to the entire earth. Everyone on the planet is a potential customer of GAFAMs. In this context of quasi-monopoly, competition is hardly standing.

Access to the services offered by these technology giants is facilitated by a multitude of easy-to-use connection networks: applications via smartphones and tablets or computers connected to the Internet.

This globalized, easy-to-use distribution network contrasts with that of insurance companies. The latter, due to legislative constraints, have difficulty in developing their brand throughout the world.

Today, the visibility of an insurer across the world cannot be achieved without the use of new technologies. It is currently impossible to get into every corner of the globe as GAFAM and similar companies do.

Led by charismatic leaders, internet giants enjoy a much higher profile than insurers.

As the table below shows, Apple, Amazon, Microsoft, Google and Facebook occupy the top five places in the 2020 ranking, while the leading insurer Allianz trails in the 39th position.

Position of GAFAMs and leading insurers in the "Best Global Brands 2020"

In billions USD

Brand	2020 rank	2019 rank	Brand value	Progression
Apple	1	1	322.999	38%
Amazon	2	3	200.667	60%
Microsoft	3	4	166.000	53%
Google	4	2	165.444	-1%
Facebook	13	14	35.178	-12%
Allianz	39	43	12.935	7%
Axa	48	46	12.211	3%

Source **:** Interbrand

NATIONAL

Increasing natural catastrophes accelerate reinsurance

Asia accounts for 16.9% of the global general insurance market and 33.4% of life insurance

Increasing frequency of natural catastrophic events has created demand for reinsurance in the Asia-Pacific (APAC) region as domestic insurers seek financial resources to cover such massive risks, according to GlobalData, an analytics company.

GlobalData's insight report, 'Global Reinsurance Market Outlook, 2021 Update – Market Analysis, Key Trends, Competitive Intelligence, Drivers, Challenges, Regulatory Overview and Developments', reveals that Asia-Pacific headquartered 24 of the top 100 global reinsurance groups, with a reinsurance premium share of 17.3% in 2019. Of this, five Asia-Pacific reinsurers were among the top 20, with a consolidated reinsurance premium of US$37.7bn in 2019, growing at a CAGR of 13.2% during 2016-2019.

Manisha Varma, insurance analyst at GlobalData, comments: "Growing insurance markets, mandatory cession requirement in most countries and exposure to natural hazards such as earthquake, flood, wildfires and cyclones, supported the growth of reinsurance in the region."

Asia accounts for 16.9% of the global general insurance market and 33.4% of life insurance. This is expected to grow to 17.8% and 34.2%, respectively, by 2025, providing high growth opportunity for reinsurers in the region.

China and India are among the fastest growing markets for both life and general insurance. Mandatory cession regulation and expanding insurance industry has helped domestic reinsurers increase revenue in these countries. Consequently, Chinese reinsurers, China Re and China P&C, and Indian reinsurer, GIC Re, recorded double-digit growth during 2016-2019.

Singapore and Hong Kong have asserted their position as global reinsurance hubs driven by its well-established regulatory framework and presence of robust financial infrastructure. Leading global reinsurers including Swiss Re, Munich Re, Scor and Hannover Re have operations in these countries.

Climate volatilities, which have exacerbated risks from natural hazards, is another focus area for reinsurers. In 2020, losses due to natural catastrophe in the region was US$67bn; of which only 4.5% was insured, indicating huge gap and growth opportunity for both insurance and reinsurance companies.

To provide optimal reinsurance coverage at affordable price, reinsurers are adopting catastrophe modelling technologies such as satellite images and real-time hazard maps. These technologies help in accurate risk assessment based on historical and near real-term weather data, thereby helping both insurers and reinsurers develop suitable cover.

Varma concludes: "Post pandemic economic recovery supported by resumption of infrastructure developments and growing insurance industry will support demand for reinsurance in the region over the next five years."

Source : Construction Week

GLOBAL

Industry expecting Tokyo Olympics cancellation as pressure mounts

Few could have foreseen the drama and controversy that awaited Japan after its Olympic ambitions were ignited by a 2013 bid successful in fending off competition from Spain and Turkey.

It's just two months out from its already-postponed start date and the feeling among our extensive re/insurance industry contact base is that the Games will likely be cancelled.

56% of industry participants expect there will be no Olympic Games in 2021, a percentage that has only grown higher in recent days as pressure from the world stage grows.

Though still fully unclear, this event's cancellation would certainly stand as an extremely costly and disruptive loss event, in the wake of what has already proved a difficult 12 months.

At a loss of between $2 billion – $3 billion, cancellation of the event would drive the largest ever claim in the global event cancellation market.

Reinsurance giants has an exposure of $750 million to the cancellation of the 2020 Tokyo Olympics, although unconfirmed.

Overall, analysts at Jefferies estimate that the Tokyo Olympics is insured for approximately $2 billion, with an additional $600 million for hospitality.

It's understood that the IOC has an event cancellation policy in place worth around $800 million, which covers the majority of the $1 billion investment it makes in each city that hosts the games.

Furthermore, the local organising committee in Tokyo will have its own policy which is estimated at around $650 million, while broadcasters will also have some fairly sizeable insurance policies in place.

Source : Reinsurance News

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Head Office:

Maker Bhavan No. 1, Sir Vithaldas Thackersey Marg, Mumbai 400 020 (INDIA)

Telephone : + 91 22 6631 4949 / 6631 4917 * Telefax : + 91 22 22623747 / 22625112

E-Mail : jbbmbi@jbbodamail.com * Web : http://www.jbboda.net * Follow us on

For any further enquiry regarding J.B.Boda Group kindly write to jirafe.vinayek@jbbodamail.com