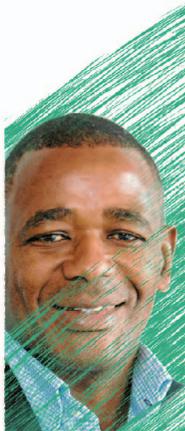




opinion by innocent dutiro



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Africa growth search

With predicted growth rates of 4%-10% for many African economies, foreign

investors are streaming into Africa, enticed by the prospect of an emerging middle class. Even though per capita GDP is low in many African countries, the sheer volume of underserved people is enormous. Demographics are also a huge driver. Europe's population is skewed to older people; while Africa's younger population offers a market that will require servicing for decades.

As investors in Africa, SA companies compete with those from all over the world. For large foreign investors, the small scale of potential investment in Africa is the biggest challenge, followed by an unfamiliar culture. This gives SA a competitive advantage. Without the expense of establishing headquarters in Africa, local firms can support smaller investments and are also able to develop Afrocentric teams that are more likely to understand local cultures.

For the SA insurance industry, diversification into Africa is an obvious growth path, given that insurance penetration in this country and the developed world is saturated and competitive. Conversely, insurance penetration in the rest of the continent is low.

The African insurance market is estimated to be worth US\$63bn – 80% of which comes from SA. Collectively, Kenya, Nigeria, Ghana, Tanzania, Uganda, Ethiopia, Rwanda and the South Sudan

insurance markets make up \$3.97bn, with the rest of Africa estimated to be worth about \$15bn.

Currently, insurance services amount to only 1% of Africa's GDP, compared to 12%-14% of GDP in SA. Projected profit before tax in 2020 is estimated at about \$900m – 70% of which will come from general insurance.

Africa's insurance industry is still at an embryonic stage with no established culture of insurance outside of Southern Africa. Education is key to attracting this market; each requires unique products and services linked to its needs.

MMI's African businesses force it to be innovative, especially with regards to mobile technology as a means of education and distribution. The race for Africa's insurance market will be won or lost on the ability to integrate insurance offerings with mobile networks. We have many initiatives in place to provide health and other insurance products to our client base via mobile networks.

MMI's presence in 11 African countries over nearly four decades, gives it a sound platform to tap into Africa's increasingly formally employed population. Ten years from now, MMI envisages 15%-20% of its earnings emanating

from its Africa businesses.

By doing business in Africa the MMI way, MMI hopes to establish its culture across Africa to make a real difference in the lives of its customers and employees. With the goal of financial wellness for its clients, MMI aims to improve savings rates and establish a long-term savings culture in the countries in which it operates.

We believe in the benefits of employing local skills as these individuals know the local dynamics, trends and languages and can tap into local networks. MMI also immerses itself in the countries it invests in by becoming involved in local industry bodies and lobby groups, consulting with government and investing in consumer education.

SA remains MMI's core focus area. As its capital to invest comes from SA, a healthy local business is imperative to its African expansion. Similarly, MMI can only reach its Africa expansion targets if SA's economy is stable. A healthier SA economy, with incentives to encourage investment in SA as well as investment from SA into Africa, will go a long way to growing the insurance industry in Africa and strengthening SA's existing insurance industry. **x**

The race for Africa's insurance market depends on the ability to integrate insurance with mobile networks

