

# STRATEGIC OVERVIEW OF NIA

## Our Business

### *Who are we?*

We are National Insurance Authority (NIA), a statutory government authority established under the National Insurance Act, Law No.92/2020. The authority is the supervisor and regulator of Somaliland insurance industry with the main objective of ensuring effective administration, supervision, and regulation of insurance business.

In addition to ensuring insurance companies to remain operationally sustainable and solvent, the authority safeguards the safety of consumers and foster high degree of security for policyholders. Moreover, the Authority carries out remarkable endeavors to develop the insurance industry.

### **Vision**

To be a model regulator enabling effective and affordable insurance service for all.

### **Mission**

To effectively regulate, supervise and create enabling environment for sustainable growth of the insurance industry in Somaliland for purpose of protecting insurance beneficiaries.

### **Core Values**

**Accountability:** We practice caution in use of public resources entrusted to NIA.

**Team Spirit:** We work effectively with others across functional lines to achieve our objectives.

**Transparency:** We stimulate plainness and candidness.

**Integrity:** We will serve our customers in non-aligned and professional way with the maximum ethical standards.

**Creativity:** We believe in unceasing enhancements in the conduct of our duties.

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## **CHAIRMAN'S STATEMENT**

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*“In an effort to align with contemporary standards, we are pushing ahead with an implementation of a digital software regime.”*

I am delighted to present the first annual market report for insurance industry as the Chairman of National Insurance Authority of Somaliland. The year 2021 was the first of many milestones achieved as the sector registered **\$1.7 Million** in Gross Written Premium.

In an effort to safeguard consumer rights and interest, the Authority started to empower the public by undertaking consumer education activities nationwide. This enhances awareness and enables consumers to make informed choices when selecting insurance products.

As Authority, we ensured that all issues that were likely to impair the players' ability to honor their obligations to the insuring public is given due attention. In this regard, it's impressive to note that the Gross Claims Paid increased by **33 percent** from **\$732**

**Thousand** in 2019 to **\$971.6 Thousand** in 2020.

The 2021 results reflect a strong progress towards our vision of a model Regulator of a Developed and Secure Insurance Industry. The Authority will continue to work towards delivering improvements and efficiencies in the legal, supervisory and regulatory spaces.

In an effort to align with contemporary standards, we are pushing ahead with an implementation of a digital software regime. We aim to produce a framework that achieves prudential supervision while preserving global competitiveness. Once the software is in place, supervisory efficiency will be enhanced and decisive intervention actions will be taken to benefit both the insurance players and the insuring public.

My sincere appreciation goes to Board Members whose unwavering support and tireless efforts have contributed towards the realization of the Authority's vision and mission. I would also like to express my gratitude to the Deputy Chairwomen of NIA, Sahra Adan Yussuf and Director General of NIA, Abdirahman Musse Abdi, for their continued commitment and support in ensuring that National Insurance Authority achieves its objectives.

Furthermore, the Authority's success would also not be possible without the continued support of our stakeholders. On behalf of the Authority and myself, I wish to extend my appreciation to insurance industry players, policyholders and all other stakeholders who relentlessly supported us.

Lastly, a special recognition goes to the staff of NIA whose support has been fundamental in realizing the Authority's goals.

**Saleeban Awad Ali (Bukhaari),  
Chairman of National Insurance Authority.**

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## **DIRECTOR GENERAL'S STATEMENT**

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*“We remain highly resolved to continue improving the regulatory landscape that delivers an amiable balance between effective regulation and market development.”*

I am honored to present the annual insurance market report for the year ended 31st December 2021. The report highlights developments that took place within insurance industry and the Authority. Furthermore, it provides an overview of the insurance industry performance and highlights market developments over the year.

This report should be a valuable and essential tool for all insurance service providers and other stakeholders to track and analyze performance and overall wellbeing of the business while identifying areas for improvement and opportunities for growth.

Below are some key performance highlights during the year:

- A total of **\$1.7 Million** was collected in Gross Written Premium during the year 2020 compared to **\$1.04 Million** during the year 2019. This shows an increase of **63 percent**.
- The Gross Claims Paid amounted over **\$900 Thousand** compared to **\$700**

**Thousand** paid in 2019, showing an increase of **33 Percent**.

- Although the insurance market penetration is still low, the industry contribution to GDP showed some increase i.e. **0.06 percent** (2019: **0.04 percent**).
- In terms of market concentration, medical insurance class of business remains dominant, growing from **\$963 Thousand** to **\$1.2 Million** in 2020 (accounting for **75.9 Percent** of the total GWP).
- The story is incomplete if nothing is said about the value of the said performance to the policyholders and policy beneficiaries. During the year under review, 541 policies were issued to policyholders, which an increase compared to the 180 policies issued in the previous year.

It is important to note that the performance above has been anchored on a strong and responsive regulatory regime that has been superintended over by the Authority. We remain highly resolved to continue improving the regulatory landscape that delivers an amiable balance between effective regulation and market development.

As an Authority, we will inspire public confidence and provide institutional support for the insurance market to grow and flourish. We will adopt an effective but flexible approach, with due emphasis on fairness and transparency for better protection of policy holders.

Finally, the ability to pioneer changes and the determination to overcome hurdles come with a passionate and motivated team. Behind the progress registered in 2021 lies in the countless efforts of many individuals and institutions alike. I would like to acknowledge the guidance and support provided by the Board Members, Insurers, stakeholders and the unreserved commitment of my colleagues in Management, and the entire IRA Team.

A special thanks goes to:

**Omar Mohamed Ismail**  
*Director of Supervision and Regulation*

**Jawhar Abdirahman Abdisalan**  
*Director of License and Compliance*

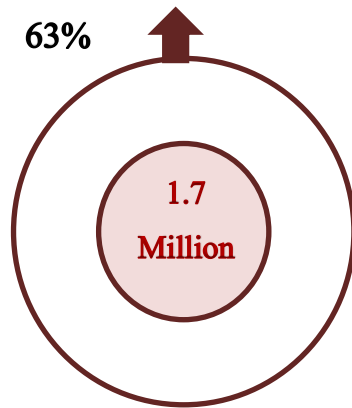
**Saado Ahmed Jama**  
*Head of Supervision and License*

For their commitment and dedication in ensuring the completion of the annual insurance market report.

**Abdirahman Musse Abdi,**  
**Director General of National Insurance Authority.**

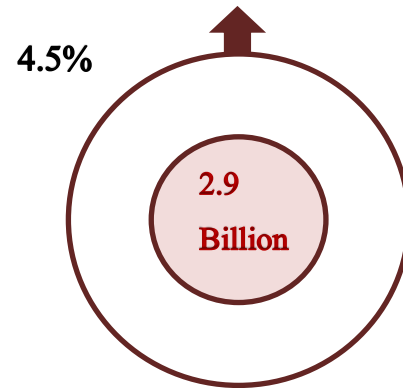
## THE YEAR AT A GLANCE

### Total Industry GWP



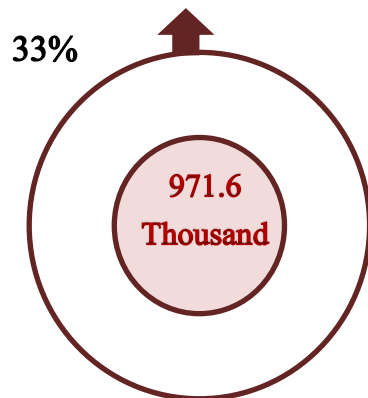
Gross written premium was \$ 1.7 Million.  
(2019: \$ 1.04 Million)

### GDP



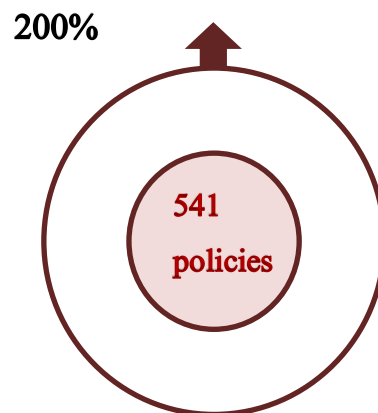
GDP amounted to \$ 2.9 billion in 2020.  
(2019: \$ 2.8 billion)

### Gross Claims Paid



Total gross claims paid in 2020 were \$971.6 thousand.  
(2019: \$ 732.6 Thousand)

### Number of Policies



In 2020, 541 policies were issued.  
(2019: 180 policies)

## **ACRONYMS**

**GDP:** Gross Domestic Product

**NIA:** National Insurance Authority

**MTP:** Motor Third Party

**USD:** United States Dollar

**GWP:** Gross Written Premium

**IT:** Information technology

**Misc.:** Miscellaneous

**CIBE:** Centre of Islamic Banking and Economics

## **GLOSSARY OF TERMS USED**

Insurance	Risk mitigation mechanism whereby an individual/ entity share the risk of financial loss with an insurance company.
Insurer	Company that contract to indemnify another in the event of loss or damage.
Insured	Any person or entity legally entitled to receive the benefits of an insurance policy.
Insurance Act	The Insurance Act No. 92/2020.
License	License issued under the Insurance Act.
Policy	Document evidencing the contract between the insurer and the insured.
Policyholders	A person in whose name the policy is issued.
Third Party	Anyone else who is involved in a loss event, which may or may not result in a claim. <i>For example, in motor insurance a third party may be another vehicle owner, property owner, or persons.</i>
Claim	Demand by the insured for an indemnity or benefit under the policy.
Incurred claims	Total claims paid and outstanding in a given period.
Premium	Amount paid/payable by the insured, in return for the insurance cover provided by the insurer.
Gross premium income	Total premium before deducting outgoing reinsurance premium.
Insurance Penetration	Gross premium as a percentage of the GDP



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## PART ONE: INTRODUCTION

### 1.1 Global Insurance Overview

The insurance industry is a major component of the economy by virtue of the amount of premiums it collects, the scale of its investment and, more fundamentally, the essential social and economic role it plays by covering personal and business risks. The year 2020, the world has faced an unexpected challenge as a new virus spread fast around the globe, quickly becoming a pandemic. COVID-19 has threatened people's health and

had consequences on people's lives and livelihoods, as governments tried to contain the spread of the virus through preventive measures such as business closures and lockdowns. This health crisis, and the unprecedented government responses, has completely modified the normal activities of people and businesses, impacting in turn the business performance and claim experience of insurers.

**Table 1:** *Global insurance growth rate*

	2019	2020
<b>Non-life Insurance</b>		
➤ Premium growth rate (real)	3%	2%
<b>Life Insurance</b>		
➤ Premium growth rate (real)	2.3%	-4.4%

*Source: Swiss Re institute, 2019 and 2020*

According to the report of Swiss re sigma, the Global non-life and life premiums grew at trend by 3% and 2% respectively in real terms

at 2019 and based on premium data collected from 147 countries, World insurance.

**Table 2: Total insurance premiums in the largest Ten Global markets for 2019 and 2020**  
(Amount in USD billion )

Rank	Country	Total premium volume		%Δ	Global market share	
		2020	2019		2020	2019
1	US	2,530,570	2,485,326	1.8%	40.3%	39.5%
2	China	655,874	617,399	6.2%	10.4%	9.8%
3	Japan	414,805	427,580	-3.0%	6.6%	6.8%
4	United Kingdom	338,321	364,352	-7.1%	5.4%	5.8%
5	Germany	258,566	249,207	3.8%	4.1%	4.0%
6	France	231,347	260,457	11.2%	3.7%	4.1%
7	South Korea	193,709	179,018	8.2%	3.1%	2.8%
8	Italy	161,973	167,881	-3.5%	2.6%	2.7%
9	Canada	143,468	134,839	6.4%	2.3%	2.1%
10	Taiwan	113,304	117,823	-3.8%	1.8%	1.9%
	Other	-	-	-	19.7%	20%
	<b>Total</b>	5,041,937	5,003,882	0.76%	100%	100%

*Source: Swiss Re, sigma, No.3/2020.*

As shown in table above, the global market in 2019 and 2020, the United States has consistently held the largest share of the insurance market globally. Alone, the USA

## 1.2 Overview of Insurance in Africa

Big players in the insurance sector have been increasingly focused on Africa over the past few years and brokers, insurers and reinsurers

made up over forty percent of the entire insurance market in 2020. The ten largest markets in 2020 combined held a market share of around 80 percent.

have all moved in to the region with mixed results: Africa only represents 1.5% of the global insurance market, despite being home to 13% of the world's population.

**Table 3: Total insurance premiums in the largest African markets in millions of \$USD for 2019**

Country	Non-Life Premiums	Life Premiums	Total Premiums	World Ranking
South Africa	9,368	37,725	47,093	19
Kenya	1283	956	2239	58
Egypt	1029	870	1899	60
Nigeria	840	796	1636	63
Algeria	1128	120	1243	75
Namibia	267	1,038	1300	74
Tunisia	653	177	1300	84
<b>Total</b>	14,568	41682	56710	-

*Source: Swiss re Institute, 2020*

As shown in Table above, both the life and non-life insurance markets in Africa are dominated by South Africa. South Africa has more life premiums compared to non-life premiums. However, in Kenya, Egypt, Nigeria, and Tunisia, non-life insurance premiums tend to dominate the insurance market. Africa's total insurance premium volume increased from US\$ 65.2 billion in 2017 to US\$ 68.15 billion in 2019.

However, African countries grew at different paces and these diverse growth patterns are merely indicative of the need to target certain markets and discover the opportunities blossoming in Africa's new era of infrastructure development, rising incomes, and investment in new technologies and

structural transformations. Due to the limited disposable income among the general population, insurance penetration rate is still very low for the African countries. In Somaliland the economic condition of country is same or even worse than the Africa countries which recorded lower penetration rate due to lower income of the population. However, last six years few Insurance companies was registered and started operation and there is big untapped market opportunity for companies interested in providing affordable insurance products suitable for the mass market.

### **1.3 Insurance in Somaliland**

Most governments throughout the globe try to use their insurance resources to achieve and

maintain sustainable development and growth so that their citizens can enjoy a higher level of life. Somaliland, like any other nation, has been trying to advance its insurance sector and improve their status as well in the global economy. This can be accomplished by government actions in the form of regulatory guidelines that will articulate the nation's development goals and expectations. Some of these objectives and expectations can be met by the insurance market.

In Somaliland, the insurance industry is still in its infancy stage. In the recent decade, the insurance industry has existed in an informal and disintegrated environment without a regulatory body. In recognition of the importance of insurance sector, Somaliland government developed vision 2030 to guide the country's development strategies. One of the seven priority sectors identified under the Somaliland vision 2030 is the Insurance sector, expected to stimulate a vibrant and globally competitive financial sector and promote high levels of savings to finance Somaliland's investment needs. Also, the government saw the desperate need to establish a body to regulate Insurance companies in the country. This led to the formation of National Insurance Authority

(NIA) under the Insurance Act, No 92/2020 on 10th January, 2021.

## 1.4 Licensed Players

Prior the appointment of the NIA, insurance operators used to take licenses from Central Bank of Somaliland. Currently there are 6 licensed insurance companies operating in Somaliland. This represents growth in the number of players from one (1) player in 2012 to six (6) in 2021 resulting from intensified competition within the industry.

During the year under review, all registered insurance companies applied for renewal of registration within the statutory time limit; two new applicant, Wadaag and Albaraka Insurance applied for registration and was given license to transact insurance business.

The table below shows licensed insurers during the year 2021.

**Table 4:** *Licensed Insurance Operators*

No	Licensed Insurers
1	Takaful Insurance
2	Somtakaful Insurance
3	Amaanah Insurance
4	Horn of Africa Insurance
5	Wadaag Insurance
6	Albaraka Insuarnce

## **PART TWO: REGULATORY FRAMEWORK**

### **2.1 Legal and Regulatory Frameworks**

**T**he National Insurance Authority is a statutory entity established by under the National Insurance Authority Act 92/2020 for the general supervision and development of Somaliland's insurance industry. The National Insurance Authority Act 92/2020 establishes the Authority's powers and activities. The NIA's main goals include promoting competition to improve customer satisfaction through improved consumer choice and reasonable pricing, while also guaranteeing the financial stability of the insurance sector. It gives the authority to draft regulations that provide the regulatory framework for the sector's companies.

### **2.2 Commencement of Insurance Acts and Regulations**

Significant progress has been made in the design of Act and Regulations for the better implementation of the Insurance requirements in Somaliland. The National Insurance Authority Act no. 92/2020 was adopted and signed off by the President during the year of 2021.

### **2.3 Insurance Companies Bill**

The Insurance Companies Bill has gone through various stages which the Authority has worked hard on in collaboration with all concerned parties such as Islamic scholars and insurance experts and insurance companies. The Bill is currently on the table for approval and gazetting.

### **2.4 Regulations and circulars**

#### **2.4.1 Regulations**

The National Insurance Authority also issued regulations, which included:

- Registration Requirement for Insurance companies
- Third- Party Motor Liability Insurance.

The Regulations will have a substantial influence on the insurance sector in terms of management structure and governance, policyholder protection and business behavior, and the regulator's supervisory approach.

#### **(I) The Insurance Licensing and Governance Regulation**

This regulation sets a slew of governance requirements on insurers, the most notable of which are corporate governance changes. Insurers must establish and maintain proper

governance structures that define board and management roles. The board's membership is mandated to achieve balance, with the majority of members being independent and Somaliland residents.

The governance reforms will ensure that licensees are better managed so that they remain financially stable and continue to operate. The Regulation also establishes business standards by establishing parameters for marketing insurance products, handling complaints, and providing prospective customers with a Key Features Statement. This will surely defend the rights and interests of policyholders.

#### **(II) Enforcement of Third- Party Motor Insurance Regulation**

The National Insurance Authority prepared the Draft Mandatory Motor Third-Party (MTP) Vehicle Insurance Regulations with technical input from experts. The Ministry of Transport and Roads Development, as well as the Ministry of Finance Development, have cooperated together with the National Insurance Authority to implement the third-party motor legislation. The new regulation would guarantee that accident victims are protected from the costs of recovering from an accident.

### **2.4.2 Circulars**

During the year 2021, the Authority issued the following four (4) circulars to provide guidance to insurance players:

- Compulsory Third-Party Motor Vehicle Insurance.
- Licensing for year 2021.
- Reporting of Premium levy from insurers.
- Compulsory of Purchasing Insurance Products from Registered Local Insurance Companies.

### **2.5 Strategy and Policy Frameworks**

#### **(I) National Insurance Policy**

The Authority's Board of Directors met this year to discuss the proposed National Insurance Policy Framework for Somaliland established by the National Insurance Authority, which aims to provide all Somaliland people with affordable insurance for stable incomes and livelihoods. Changes has been made to the National Insurance Policy in accordance with the Board's recommendations and at the same time approved by the board members

The National Insurance Policy visualizes a vibrant and sound insurance sector contributing significantly to financial stability

and economic growth. To achieve this objective, the Government endeavors to create an enabling environment for the development of an inclusive insurance industry offering affordable products and services. This entails the development of a comprehensive framework for promoting insurance as a risk mitigation tool to enhance economic growth.

The Government is cognizant of the key role played by the private sector in the insurance industry. Towards this end, an enabling business environment will be created to drive more private sector participation in the insurance industry.

The National Insurance Policy aims at addressing challenges that continue to hinder the development of the industry. These include low level of public awareness on insurance products and services, low penetration rate and coverage, concentration of insurance in main urban areas, slow adoption of technology by the industry, underwriting capacity of the insurance industry, gaps in the legal and regulatory framework and poor perception about the insurance industry.

A conducive environment is required for the effective participation of all stakeholders in

addressing challenges affecting the insurance industry as well as tapping existing and potential capabilities to accelerate the development of the industry. The aim of the policy, therefore, was to create a conducive environment that will attract more investments in the insurance industry and promote greater participation of the public and private sectors.

## **(II) Strategic Plan of the National Insurance Authority**

The Strategic Plan 2022-2026 was the result of a consultation process aimed at aligning the oversight objectives of the insurance industry in Somaliland with the national development goals of Somaliland's Vision 2030.

The strategic plan presents the historical development of the authority. It forms the basis background and introduction to the strategic plan, mandate and functions of the NIA, relevant laws, guidelines and guidelines, statements of intent and justification for the development of the NIA strategic plan, 2022-2026, it anchors planning process through situation and environmental analyzes that cover Strengths, Weaknesses, Opportunities and Threats (SWOT).

For each, strategic implications and responses were developed and incorporated into the

planning cycle. An analysis was also carried out to identify the main actors, clearly highlighting their rights and obligations, their expectations and NIA's expectations from them. The strategic plan presents the topics of strategic focus, creating and strengthening stakeholders, improving financial resource capacity, transmitting internal processes, organizational capacity and identifying strategic goals. The key features of the strategic plan provided a structure that specifies at a glance the plan components and planned actions, as well as relationships, required resources, constraints, budget, performance indicators and important assumptions. It analyzes NIA's resource capacity highlighting its workforce, organizational structure, and resource use and governance structures.

The insurance industry is expected to contribute and drive the implementation of

large savings to finance Somaliland's investment needs. To achieve its objectives, the National Insurance Authority has established its vision and mission. Achieving these aspirations in line with the authority's mission statement is based on the Balanced Scorecard for Outlook, driven primarily by the implementation of a series of strategic goals, strategies, and activities over the five-year period of the plan.

The strategic plan is intended to serve as a guide for decisions and actions taken by the National Insurance Policy Steering Committee. This enables board members and the managing director to ensure that the mission is pursued, values are respected, and the vision remains at the center. The NIA is expected to make several breakthroughs and achieve significant accomplishments over the next five years.



## **PART THREE: KEY DEVELOPMENT INITIATIVE**

**D**uring the year 2021, a number of notable events took place within the authority and insurance industry. Some of the events include the following:

### **3.1 Establishment of National Insurance Authority Office**

Following the appointment of NIA, the Authority managed to prepare and develop fully furnished worksite with the necessary office facility and equipment. The Authority successfully opened workplace to do its day-to-day operations.

### **3.2 Employee Capacity Building**

One of NIA strategic objectives is centered on developing employee capacity. In an effort to promote that, the authority sponsored to its staff various professional courses, trainings and workshops with the assistance of an insurance expert.

### **3.3 Consumer Education Programs**

Creating and enhancing customer and stakeholder engagement is one of NIA strategic objectives. In line with the above objective, the Authority made great strides by continuously organizing several engagements

with the public and below are the initiatives that have been implemented during the year.

### **3.4 Insurance Forums**

#### **(I) National Insurance Forum**

In June 2021, the Authority held the first-ever Somaliland national insurance forum under the theme, “The Road Map for Insurance Inclusion”.<sup>1</sup> (Foot note) the link of the report

This forum brought together over 100 participants including; policymakers and regulators, takaful companies, commercial banks, traditional and religious scholars, professors and academics, technology solution providers, World Bank Group and other stakeholders.

Discussions were held on how the development of insurance sector will affect the social structures and economic growth. In addition, participants and experts shared key industry challenges and opportunities that can be turned into a way forward.

#### **(II) Regional Insurance Forum**

In August, the authority undertook regional insurance forum on insurance inclusion. The

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<sup>1</sup> Insurance Forum” The Road Map for Insurance Inclusion” Report is available at <https://slnia.org/>

conference was conducted at Isha Burao Hotel in Burao and was attended by religious and traditional leaders, professors and academics, traffic officers and representatives from insurance companies and stakeholders among others.

The meeting centered on sharing challenges encountered within the industry and prospects that can be turned into way of success.

### **3.5 Mass Media campaigns**

Being aware of the disruptions that have been triggered by the COVID-19 pandemic, the Authority engaged with the public through mass media, as it plays a critical role in promoting public awareness.

The Authority proactively engaged with the media as partners during the year. For instance, we were hosted on 5 talk shows prime time at two television channels – SLNTV and Universal TV. In addition, a video of the insurance forum was aired at six television stations.

### **3.6 Digital platform Engagement**

In modern times, digital platforms have become a way of staying connected for many Somali community.

The Authority acknowledging that put more emphasis on social media platforms as the source of information and to reach out to a larger number of audiences. Emphasis was put on Facebook and Twitter.

Moreover, the authority started airing short educational video clips on its digital platforms, all sending out insurance messages, thus creating visibility for the Authority and attracting the public to purchase insurance products.

The Authority will keep on utilizing in the advancement of technology to share information and enable quick and timely feedback to the public.

### **3.7 Islamic Scholars Engagement**

Recognizing the power of Islamic scholars in the community, the Authority relentlessly met and engaged with them.

In all these engagements, the Authority took advantage to ensure the sharia compliance of insurance industry and whether it's in line with Islamic values and principles.

### **3.8 Meetings with Corporate Organizations**

The Authority, in an effort to grow its reach, have been deliberate in identifying other

segments of the general public who it believes have the capacity and ability to consume and pay for insurance services.

In this regard, NIA held meetings with big transport companies. Through these interactions, the Authority emphasized the role of NIA, the benefits of insurance and the rights and obligations of policy holders. Additionally, we were able to get constructive feedback from the participants as well as increasing NIA's visibility.

### **3.9 Collaborations and Partnerships**

On 11<sup>th</sup> August 2021, Insurance Regulatory Authority (IRA) of Kenya and National Insurance Authority (NIA) of Somaliland undertaken a preliminary settlement for future collaboration and mutual assistance. The promise would, among others, set a platform for mutual assistance, and promote training and education of the staff of National Insurance Authority- Somaliland. During his visit to Kenya the Chairman of Somaliland National Insurance Authority also has met for

number of insurance partners like, Kenya College of Insurance, Association of Kenya Insurers and Insurance Experts based in Nairobi.

### **3.10 Global Takaful and Re-Takaful Forum**

National Insurance Authority was invited to attend and participate in “Global Takaful and Re-Takaful Forum” that was organized by AlHuda CIBE and held in Addis Ababa, Ethiopia.

The forum centered on how Takaful can be a platform for financial inclusion and the potential it has to become a strong segment of Islamic finance. In conclusion, discussions were held on the challenges and opportunities of takaful industry; aligning product development with market needs to improve penetration and how technology can be used for better outreach of Takaful products.

## **PART FOUR: INDUSTRY REGULATION AND SUPERVISION**

Insurance regulation and supervision is carried out under the national Insurance Act, No.92/2020, with the main objective of sustaining the safety and soundness of insurance companies, protect the interests of insurance beneficiaries and ensure supply of high quality and transparent insurance services and products.

### **4.1 Prudential Supervision of the Industry**

Throughout the year, the Authority undertook prudential supervisions within the insurance industry. The overall aim of the supervisions was to ensure that insurers manage risks prudently.

#### **(I) On-site Inspection**

Pursuant to Article 44 of draft of Insurance Companies, onsite inspection is carried out at least once in two years although it can be carried out more often depending on the necessity.

As is required by the above section, the Authority, during the year under review, inspected the businesses of insurance players. One on-site inspection of insurers was carried out for the purpose of ensuring compliance with the Insurance Act and accompanying Regulations; ensuring financial soundness and protection of policyholders.

## PART FIVE: FINANCIAL PERFORMANCE OF THE INDUSTRY

### 5.1 Overall Performance

#### ▪ Policies

During the year under review, there was positive growth in the number of policies written within the industry. In year 2020, 541 policies were issued by insurers, which is an increase compared to 180 policies issued the previous year.

#### ▪ Insurance indicators

The market penetration registered during the year 2020 was 0.06%<sup>2</sup>. The comparable figure for the year 2019 was 0.04%. On a per-capita basis, an average of US\$ 0.25 was spent on insurance during the year under review.

#### ▪ Insurance industry performance

The insurance market achieved an overall growth of 62.63% in gross insurance premium written from \$1 million to \$ 1.7 million in year 2020.

#### ▪ Underwriting results

The insurance industry's underwriting results improved from \$ 316 thousand to \$ 734 thousand during the year 2020<sup>3</sup>.

Improvement of over \$ 400 thousand in performance reflects improved quality of underwriting which is critical for a stable insurance sector.

### 5.2 Gross Direct Premium

During 2020, the industry generated a Gross Written Premium amounted to \$1.7 million. This represents a significant growth compared to the \$1 million generated in year 2019. The major business portfolios were from medical, marine and motor classes. These classes amount to 99% of the total Gross Written Premium written within the insurance industry.

The table 5 below shows the distribution of gross direct premium income per class.

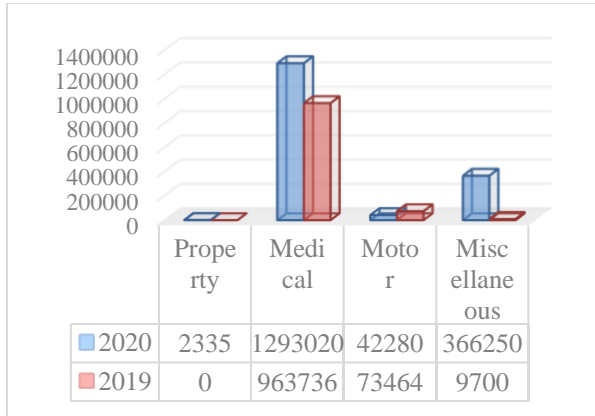
No	Class of Business	2019	2020	Market Share
1	Medical	963,736	1,293,020	76.0%
2	Motor	73,464	42,280	2.5%
3	Misc.	9,700	366,250	21.5%
<b>Total</b>		<b>1,046,900</b>	<b>1,701,550</b>	<b>100.0%</b>

\*Amount in USD

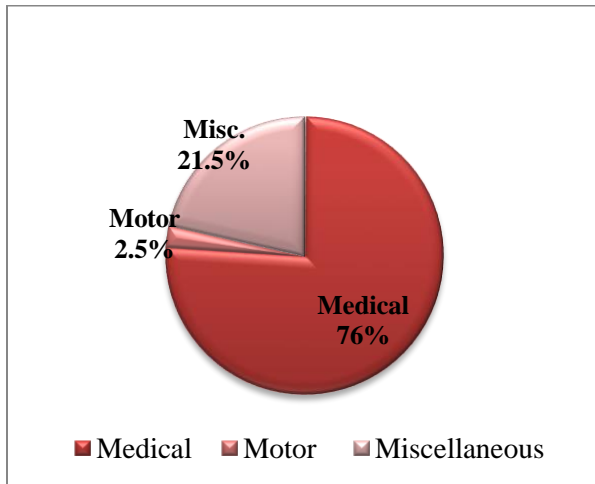
<sup>2</sup> **Insurance penetration** is a ratio of Gross Insurance Premium to the Gross Domestic Product measured at current prices. The GDP figures used are based on Ministry of Planning and National Development Annual Report 2019.

<sup>3</sup> The underwriting performance only covers General Insurance Business.

**Figure 1:** Comparison of Gross Premium in year 2019 and 2020



**Figure 2:** Distribution of Gross Premium by Class (2020)



### 5.3 Incurred Claims

During the year under review, the industry incurred claims amounting to over 900 thousand USD dollars compared to 700 thousand USD dollar claims incurred in 2019. Due to the effect of COVID-19 global pandemic, medical class had the highest

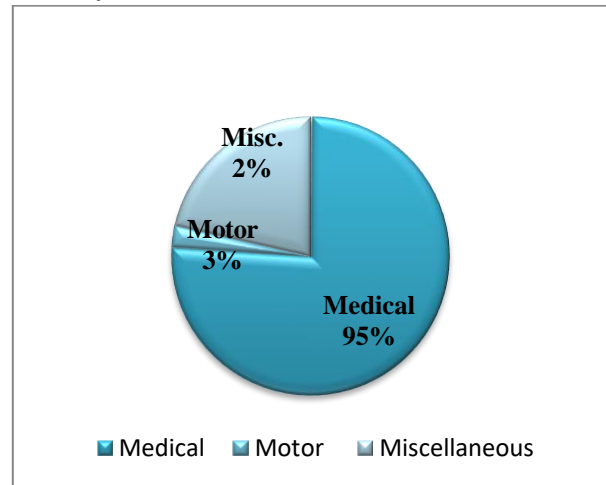
incurred claims during 2020. A summary of incurred claims is shown in the table below.

**Table 6:** Incurred claims per class business: 2019-2020

Class of business	Years		% of claims incurred per class
	2019	2020	2020
Medical	651,634	924,045	95%
Motor	75,400	25,575	3%
Misc.	5,566	21,334	2%

\*Amount in USD

**Figure 3:** Percentage of claims incurred per class of business.



### 5.4 Useful Ratios

The main useful ratios analyzed for insurance business include retention ratio, net incurred claims ratio, commission ratio, management expense ratio and combined ratio. The above ratios are presented in the table below.

**Table 7: Useful Ratios**

<b>Ratios</b>	<b>2019</b>	<b>2020</b>
Retention ratio	92%	92%
Net Incurred Claim ratio	75.8%	62%
Expenses ratio	23.1%	19.7%
Commission ratio	7.6%	4.5%
Combined ratio	106%	81.7%

## **5.5 Conclusion**

There are considerable opportunities for further development of insurance sector.

Thus,

- The insurance players should also increase the use of IT in order to establish reliable data bases; improve customer care and develop a strong and competitive edge in the face of the ever-increasing competition and globalization.
- Insurance operators must focus on product innovation in line with shariah and the market needs. Also they should improve on their marketing strategies.
- Insurers should continue reducing Management expenses so as to facilitate easy claim settlement. This will, in turn, boost consumer confidence in insurance services.
- Insurance players should venture into the areas that are not fully exploited e.g. Family Takaful, etc.
- As the Authority strives to have in Somaliland a well-regulated insurance industry which inter alia, ensures protection of consumers and contributes effectively to the national economic development and stability. Thus, insurance players should collaborate with the Authority to continuously inform the public and other stakeholders on the role and value of insurance, insurance products, claims handling procedures, risk management, etc

The above, if adopted, would enhance the development of the insurance sector and will contribute to the social and economic welfare of Somaliland.

