



National Insurance Authority (NIA)



Annual Insurance Market Report 2022

The purpose of this report is to provide an overview of the current trends and developments that have taken place within the Authority and Somaliland insurance industry in the year 2022. This report is not intended to be a comprehensive analysis of Somaliland Insurance industry





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OVERVIEW OF NATIONAL INSURANCE AUTHORITY

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 National Insurance Authority.
- **Team Spirit:** We work effectively with others across functional lines to achieve our objectives.
- **Transparency:** We stimulate plainness and candidness.
- **Integrity:** We 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.

EXECUTIVE CHAIRMAN MESSAGE

As the newly appointed Chairman of the National Insurance Authority, I am delighted to present the Annual Insurance Market Report for the year 2022. This report provides a comprehensive analysis of the insurance industry's performance over the past year, highlighting key trends and insights that will be valuable to both industry stakeholders and the public at large.

My appointment as the Chairman of the National Insurance Authority was the outcome of a shift in management made by the President of Somaliland, Musse Bihi Abdi, in July 2022. This change in leadership marks a new chapter in the history of the National Insurance Authority and sets the stage for the implementation of new policies and initiatives that will improve access to insurance products, deepen penetration in underserved markets and promote financial security for individuals and businesses across Somaliland.

The insurance sector has been expanding significantly in the past year. The sector continues to experience business expansion in terms of gross premium written and insurance penetration. The gross premium written during the year under review amounted to \$3 million and the insurance penetration have improved signifi-

cantly over the past years. The market penetration registered has increased from 0.07% in 2021 to 0.09% in the year under review. The increase in the insurance penetration rate represent a significant growth compared to previous years' penetration rates i.e. 2019: 0.04% and 2020: 0.06%. It is evident that this was supported by an enhanced regulatory framework, increased public awareness, and improved insurance branding.

In addition, the market development was also demonstrated by the admission of new insurance players and collaboration with government institutions. Furthermore, the Authority in order to grow and expand its reach collaborated with international organizations such as the IFC World Bank and AlHuda CIBE with the main aim of enhancing the regulatory framework and increasing financial inclusion in Somaliland.

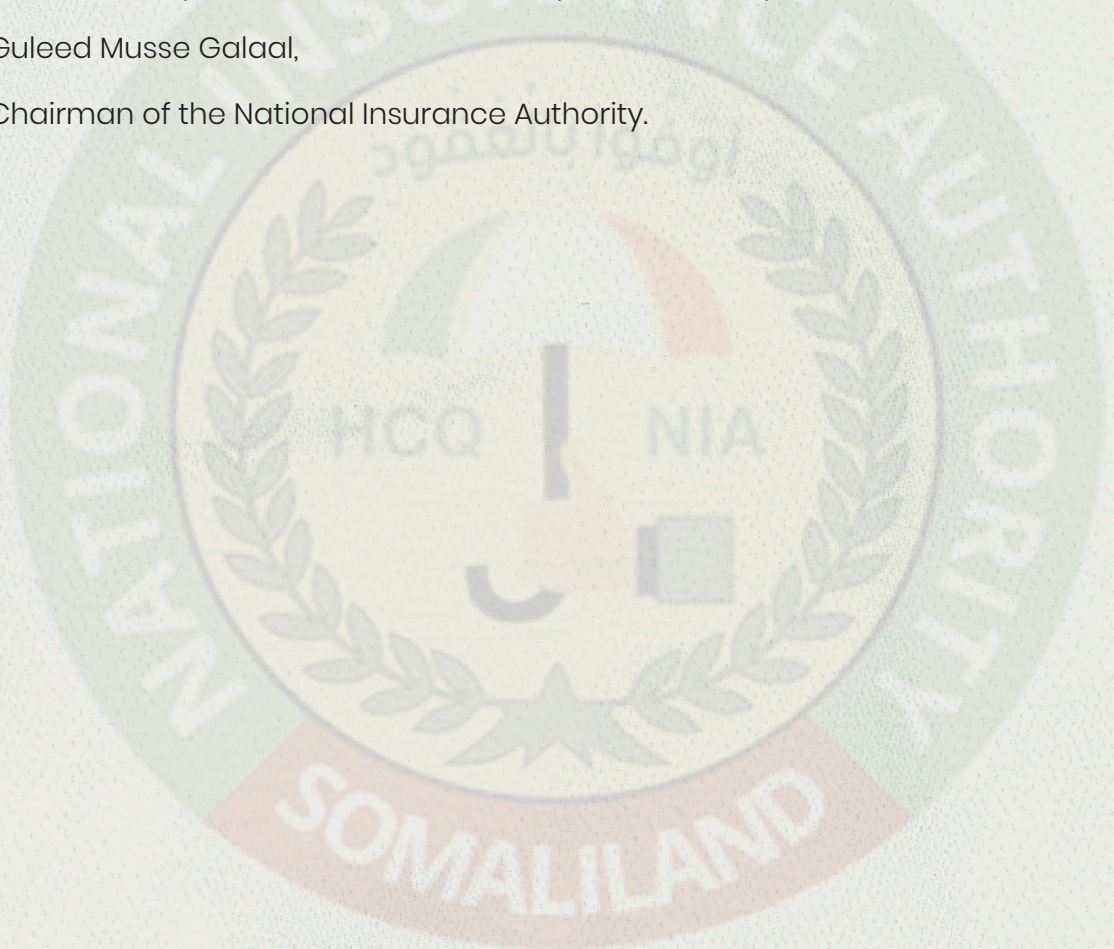
The National Insurance Authority is committed to fostering a thriving insurance market that meets the needs of all Somalilanders, and we will continue to work towards achieving this goal through strategic partnerships, innovative products, and best-in-class services. We recognize that challenges lie ahead, but we are confident in our ability to address them with the support of all stakeholders, including our valued partners.



I look forward to leading the National Insurance Authority in this new era of growth and development, as we strive to fulfill our mission of creating a robust, inclusive, and sustainable insurance industry that contributes to the overall economic development of Somaliland. I would like to extend my appreciation to the Authority's Board of Directors, insurance service providers, partners and all other stakeholders who relentlessly supported us. I would also like to express my sincere gratitude to the hardworking team of the Authority for their dedication and commitment to the success of the organization. We are excited about the opportunities that lie ahead, and we remain committed to transparency, accountability, and excellence in all aspects of our operations.

Guleed Musse Galaal,

Chairman of the National Insurance Authority.



DIRECTOR GENERAL MESSAGE

I am duly honored to present to you the 2nd annual insurance market report of the National Insurance Authority for the year 2022. This year's report highlights the growth made by the sector in the year under review while also focusing on the key developments within the Authority and the insurance sector.

In the year 2022, the insurance market has made an overall growth of 41% in gross written premium from \$2.2 million in 2021 to \$3 million in 2022. The increase in gross written premiums is attributed to the growing awareness about the importance of insurance as well as the increased affordability of insurance products and services in the country.

On the contrary, gross claims paid of the industry increased by 8% in 2022 amounting to \$1.3 million. This increase in total incurred claims is due to the increase in the number of claims filed under the medical insurance class of business; which contributed a total of \$1.2 million (91.9%) of the total incurred claims. These increases in the gross written premium and gross claims paid reflect the continuous efforts made by the Authority and the insurance service providers to meet the rising demands of the Somaliland insurance sector while also providing the general public with the most suitable products.

In addition, it's essential to note that the performance above has been

possible due to a well-built regulatory regime that has been superintended by the Authority. Since its establishment, the Authority has played a significant role in strengthening the insurance sector and developing a vibrant insurance industry in Somaliland. We remain highly resolved to ensure a transparent regulatory regime that is efficient, effective and consistent in upholding our regulatory framework to ensure the integrity of the overall industry as well as fostering good governance practices. The Authority will continue to build upon those achievements and lay the foundations for the next stage of its growth.

Finally, my deepest gratitude goes to the staff and stakeholders who have demonstrated selflessness and commitment to the Authority's growth and development over the past years. The perseverance of our team has ensured the delivery of a robust and successful regulatory framework for the insurance industry. I would like to specifically acknowledge the hard work and effort put in by the team members below for their excellent work on the annual insurance market report. Their dedication, attention to detail, and timely delivery of the report are truly commendable.



Farah Ali Abdallah	Director of Planning, Policy and Strategic Information.
Jawhar Abdirahman Abdisalaan	Director of Licensing, Regulatory and Compliance.
Saado Ahmed Jama	Supervision Officer, Department of Insurance Development, Supervision and Coordination.
Abdibaasid Yussuf Abdiaziiz	Public Relation Officer, Public Relation and Regional Coordination Office.

Abdirahman Musse Abdi,
Director General of National Insurance Authority.

ACRONYMS

- CAGR: Compound Annual Growth Rate
- GDP: Gross Domestic Product
- MTP: Motor Third Party
- USD: United States Dollar
- NIA: National Insurance Authority
- MOU: Memorandum of Understanding
- ERP: Enterprise Resource Management

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. 2020/92.
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. For example, in motor insurance a third party may be another vehicle owner, property owner, or persons.
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

PART ONE INTRODUCTION

1.1 OVERVIEW OF GLOBAL INSURANCE MARKET

The global insurance industry is currently growing at a rapid rate with the insurance market expected to grow to \$8603.8 billion in 2027 at a CAGR of 7.4% (The Business Research Company, 2022). This growth is being fueled by a number of factors including heightened risk awareness in both the life and non-life segments in wake of COVID-19 pandemic, and continued strong rate hardening.

The market is dominated by the US which remains the largest insurance market in the world, with total premiums (non-life and life) of USD 2.7 trillion in 2021. Next are China and Japan. The three markets together accounted for almost 56% of the global premiums, slightly less than in 2020 (57%). The US and Japan together lost around 1% market share between 2020 and 2021, the ground lost taken up by the UK and France.

Table 1. Total insurance premiums in the largest Ten Global Markets

Rank	Country	Total Premium Volume (Amount in Millions USD)		Percentage Change	Global Market Share	
		2021	2020		2021	2020
1	US	2,718,699	2,515,358	%8.1	%39.6	%40.0
2	China	696,128	655,865	%6.1	%10.1	%10.4
3	Japan	403,592	414,475	%2.6-	%5.9	%6.6
4	United Kingdom	338,321	364,352	%16.7	%5.8	%5.4
5	France	296,380	238,998	%24.0	%4.3	%3.8
6	Germany	275,779	260,322	%5.9	%4.0	%4.1
7	South Korea	193,008	190,085	%1.5	%2.8	%3.0
8	Italy	192,481	172,704	%11.5	%2.8	%2.7
9	Canada	161,289	139,243	%15.8	%2.4	%2.2
10	India	126,974	111,911	%13.5	%1.9	%1.8
Others		-	-	-	%20.4	%20
Total		6,860,598	6,291,834	%8.29	%100	%100

Source: Swiss Re Institute, Sigma 2022/4

1.2 INSURANCE IN AFRICA

Africa is making a great stride in reshaping its historically underdeveloped insurance market according to a recent report by McKinsey and Company, which outlines the trajectory of the African insurance market's growth and the potential for prodigious development of the sector.

Steady economic growth in most countries combined with a largely un-

derdeveloped insurance sector have positioned the continent as the second-fastest-growing region for insurance globally after Latin America. Prior to the impact of COVID-19, the insurance market was expected to grow at compound annual growth rate (CAGR) of 7 percent per annum between 2020 and 2025, nearly twice as fast as North America, over three times that of Europe, and better than Asia's 6 percent.

Table 2: Total insurance premiums in the largest African Markets in Millions of USD for 2021

Rank		Country	Total Premium Volume		2021 shares
Regional	Global		2021	2020	
1	19	South Africa	51,215	41,110	%69.03
2	49	Morocco	5,343	4,774	%7.20
3	55	Egypt	2,808	2,390	%3.78
4	56	Kenya	2,422	2,190	%3.26
5	70	Nigeria	1,582	1,433	%2.13
6	79	Algeria	1,075	1,095	%1.45
7	81	Tunisia	985	900	%1.33
8	83	Namibia	867	788	%1.17
9	86	Côte d'Ivoire	844	694	%1.14
10	88	Ghana	814	686	%1.10
Total Top 10 Markets			67,955	56,060	%91.60
Others			6,235	5,821	%8.40
Total			74,190	61,881	%100.00

Source: Atlas Magazine, 2022



Although the African insurance market have reached a value of US\$ 74.1 million, the market is highly fragmented and maintains inconsistent distribution among countries. According to the table above, 91 percent of insurance premiums are concentrated in just 10 countries, the largest of which, South Africa, holds 69 percent of the market's premiums.

The bulk of the growth in Africa is likely to come from pensions and individual life insurance— which is the

1.3 INSURANCE IN SOMALILAND

The Somaliland insurance industry has been developing gradually in recent years, with the establishment of the National Insurance Authority. The industry is still in its early stages, and there are currently a few companies operating in the market, most of which offer limited coverage or cover a certain type of risk.

The potential of Somaliland insurance industry is beyond question as it's a country in which insurance could and indeed should thrive. But there are many hurdles to overcome if this market is to realize its potential. The lack of public awareness about the various benefits of insurance remains a major obstacle for the industry to achieve its full growth potential. In addition, limited product availability, economic instability, unemployment and negative public perception of insurance remains among the other challenges hindering the development of the

fastest growth line of business on the continent, although starting from a smaller base compared to nonlife insurance. While motor insurance is the largest contributor to nonlife insurance—driven by requirements for a compulsory minimum level of insurance, often third-party liability in countries like Morocco, Kenya, Nigeria, and Egypt—accident insurance, health insurance, and property insurance have all shown faster growth in recent years.

sector.

However, various factors are expected to contribute to the growth of the market over the next few years. An overall improved educational scenario is expected to create significant awareness regarding the associated benefits of insurance, thus creating lucrative opportunities for the market players. Rapid urbanization, emerging middle class, and growing working population, along with improving internet connection and technological advancements, will be some of the other factors catalyzing the growth of the insurance sector in Somaliland. In addition, the increase in the technological advancement and the use of mobile money and Fintech is another key factor that will increase the accessibility of insurance in Somaliland.

Moreover, the growing popularity of medical and motor insurance among individuals and businesses is also expected to drive growth in the market in the coming years. Furthermore, a successful implementation in the enforcement of third-party motor insurance regulation is expected to boost the demand for insurance in the country over the next five years.

The Somaliland insurance industry is poised for a significant growth over the next few years ahead. The Authority, on behalf of the government will take all the necessary steps to devel-

op the industry and create a supportive environment for insurance service providers, insurance policyholders and beneficiaries; as the insurance sector has the potential to become a key driver for economic growth in the future.

To summarize, the National Insurance Authority will be committed in supporting the growth and development of insurance industry in Somaliland by ensuring that the sector operates safely and soundly per the applicable laws and regulations.

1.4 LICENSED INSURANCE SERVICE PROVIDERS

During the year under review, all registered insurance companies applied for license renewal within the statutory time limit; except for Somtakaful Insurance. One new applicant, Ta'amini Insurance applied for registration and was given license to transact insurance business.

Table3 shows licensed insurers during the year 2022.

No	Licensed Insurers
1.	Takaful Insurance
2.	Amaanah Insurance
3.	Horn of Africa Insurance
4.	Wadaag Insurance
5.	AlBarakah Insurance
6.	Ta'amini Insurance

PART TWO

2.0 LEGAL AND REGULATORY FRAMEWORKS

The National Insurance Authority is a regulatory entity established by the National Insurance Authority Act 92/2020 for the general oversight and growth of the insurance sector in Somaliland. The authority's functions are established by the National Insurance

Authority Act 92/2020. The primary objectives of the authority include promoting competition to raise customer satisfaction through expanded consumer choice and fair pricing while also ensuring the insurance industry's financial stability.

2.1 REVIEW OF INSURANCE COMPANIES BILL

The Insurance Companies Bill, which was under the purview of the parliament, was thoroughly reviewed by the Authority. The law aimed to completely revamp the insurance industry's regulatory framework. The bill's alignment with a sharia-compliant was a top priority on the review's agenda.

The National Insurance Authority held a number of workshops for the house of parliament to assist Member of Parliaments better understand insurance, notably the features of takaful and how they operate in the Islamic world with the facilitation of prominent Islamic experts in Somaliland. After all the efforts of the National Insurance Authority the bill was passed on October 30, 2023 and approved by the parliament

Over the past year, the insurance companies bill has gone through several processes. The house of parliament has examined and debated it extensively. The practicality of adopting mandatory motor insurance and the complaint of the law to the Constitution of Somaliland and Islamic principles were the main concerns considered.

In order to better execute the insurance obligations in Somaliland, significant work has been achieved in the construction of the Act and Regulations.

2.2 REGULATIONS AND CIRCULARS

2.2.1 Regulations

As an Authority, we understand that for the insurance sector to operate properly, regulation is an essential pre-requisite to an important end. The sector must continue to be effective, adaptable, and responsive to new developments in order for the industry to prosper from a financially competitive global market.

The Insurance Companies Law and its supplementary Schedules and Regulations serve as the primary regulatory framework for the Somaliland insurance market. It is expected that these regulations will be followed, and this will be done through monitoring and inspections.

Regulations in the year under review from the National Insurance Authority included;

- Compulsory Motor Vehicle Insurance Regulation (Amendments)
- Medical Insurance Regulation (Second Draft)
- Insurance Intermediaries Licensing and Governance Regulation (First Draft)

(I) Motor Vehicle Insurance Regulation

The National Insurance Authority with the help of insurance experts made amendments to the Motor Third-Party (MTP) Vehicle Insurance Regulations.

To put the third-party motor legislation into effect, the National Insurance Authority worked with the Ministry of Transport and Roads Development and the Ministry of Finance Development.

2.2.2 Circulars

During the year 2022, the Authority issued the following four (4) circulars to the insurance service providers:

- Circular on the provision of motor vehicle insurance to non-governmental organization and rental vehicles.
- Notice to share insurance contracts with the National Insurance Authority.
- Circular-Directive on compliance with insurance levy.
- Circular on the renewal of licensing requirements for insurance companies for the year 2022.
- Circular on the renewal of licensing requirements for insurance companies for the year 2022.

(II) Medical Insurance Regulation

The principal conclusions of the latest annual market study were that one of the main products provided by Somaliland's insurance companies was medical insurance. As a result, it has been determined that in order to support the market, safeguard people' rights and safety, and assure the supply of medical insurance services, it is imperative to close the regulatory gap and develop insurance medical regulation.

(III) Insurance Intermediaries Licensing and Governance Regulation.

The regulation will assist those who need an intermediary license and, on the other hand, govern their operations. The objective is to make it easier to purchase and place insurance, as well as to offer consumers and insurance companies services that complement the insurance placing process.

2.3 STRATEGIC PLAN OF NATIONAL INSURANCE AUTHORITY

The Authority is now conducting out its 2022–2026 Strategic Plan. The Authority evaluated its Strategic Plan throughout the year while taking

supply-side, demand-side, legal, and regulatory considerations into account.

2.4 SUSTAINABILITY AND STABILITY OF INSURANCE INDUSTRY

To guarantee that the industry will continue to be sustainable, the Authority has taken the following actions. These actions align with global best practices:

- Ensuring that all of the security deposits from the licensed insurance companies are placed in the licensed local banks.
- Presentation of new insurance products for approval to increase product safety.
- Encouraging Licensed Insurance Companies to use licensed local banks.
- Development of the draft of third part motor insurance regulation and Medical In-

urance Regulation.

- Comparing results to those of other insurance regulators.

In addition, the Authority carried out its duties in the insurance industry by continually encouraging good business practices and has taken the following actions:

- Increasing stakeholders' understanding of insurance and related issues and their capacity.
- The creation of the Insurance Fraud Investigation Section to address fraud in the insurance sector
-

2.5 CONSUMER COMPLAINT HANDLING

During the year under review, the Authority received complaints from medical service providers concerning insurers through its Consumer Protection Division which handles complaints from the insurers and policyholders. The authority has responded to concerns from medical service providers who claimed that insurance companies do not reimburse them on actual bases. These complaints were solved by the authority effectively and efficiently with the allocated time frame.

PART THREE

3.1 CONSUMER EDUCATION PROGRAMS

In an effort to create and enhance customer and stakeholder engagement, the authority developed a series of consumer education programs in the year under review. The Authority organized a sequence of awareness events across the main regions of Somaliland and had fruitful sessions with traditional leaders and the youth of each region to raise awareness of the need for insurance products in Somaliland.

(I) Engagement with Youth Elites

During the sessions with the youth elite, there were presentations, panel discussions and direct questions between the Authority and the youth, with the main aim of providing young Somalilanders with an opportunity to express their views on the insurance in the country while also discussing the role that the authority could play in promoting insurance awareness of the Somali community.

(II) Engagement with Community Leaders

On the other hand, the engagements with the traditional leaders focused on accelerating the adaptation of insurance products by their respective tribes. The traditional leaders agreed to help facilitate this by spreading the word about the importance of insuring against possible financial risks to their people and communities.

The result of this engagement was surprisingly positive, as traditional leaders were demanding compulsory insurance services especially that of motor insurance considering the trend of road accidents in the country.

(III) Mass Media Campaigns

In an effort to increase the insurance literature of the Somali community, the authority carried out several activities through mass media outlets. During the year under review, the authority gave several interviews and keynote speeches through mass media outlets like SLNTV, Radio Hargeisa among others with the main objective of sharing information on critical aspects of having insurance coverage; and steps people could take to protect themselves and their families in case of an emergency.

(IV) Digital Platform Campaign

The Authority engaged with the general public through digital platforms to increase insurance literacy and insurance uptake in the region. The Authority shared short educational clips and skits related to insurance on its social media platforms like Facebook and Twitter among others to further engage with potential insurance beneficiaries.

In addition, short clips of the traditional leaders talking about the

hazards of being uninsured were made available to the public on the Authority's digital platforms. These campaigns were highly successful as they reached a large number of people

in a short period of time and effectively educated them on the importance of insurance.

3.2 EMPLOYEE CAPACITY BUILDING

One of the Authority's strategic objectives is centered on developing employee capacity. To promote that, the authority sponsored some of its staff to international training opportunities provided by AlHuda CIBE, one of the leading institutes of banking and finance all over the globe.

several employee capacity building trainings and workshops to its employees. The trainings and workshops were designed to develop and enhance the knowledge of Authority's employees to enable them to perform their jobs more efficiently and effectively.

Moreover, the Authority provided

3.3 LAUNCHING COMPULSORY THIRD-PARTY MOTOR INSURANCE

The Authority considering the importance of motor insurance launched compulsory third party motor insurance on February, 2022 in collaboration with the Ministry of Transportation and Road Development. This came as a result of an increase in accidents and long-standing demand from stakeholders such as insurance companies, transportation unions, road users and civic society in general as well as a recommendation from the

Ministry of Transportation and Road Development.

This new initiative is expected to benefit all road users as it helps reduce accident rates, promote road safety and improve service delivery in the insurance industry. The compulsory third-party motor insurance will come into effect late in 2023 and will be applicable for all vehicles registered in Somaliland.

3.4 DEVELOPMENT OF ERP MANAGEMENT SYSTEM

During the year under review, the Authority moved to a digital regime, creating an ERP system. The Authority's ERP management system plays a major role in the automation and optimization of the Authority's day-to-day operation. This ERP management system consists of two main systems, namely: The

Odoo system and the portal system for insurance companies. The use of these two systems enables the Authority to carry out its functions in a streamlined manner and to achieve efficiency in its operation.

(i) Odoo Systems

Odoo allows the Authority to manage its day-to-day operation. This system allows the Authority streamline its processes, thus, improving productivity and efficiency. In addition, it promotes work of the office and departments across the Authority.

(II) Portal System for Motor Insurance

The portal system is a system through which insurance companies submit motor insurance pre-

3.5 FORUMS AND CONFERENCES

The Authority, in an effort to grow its reach, participated in a number of national and international forums and conferences on insurance in 2022. These interactions allowed the Authority to network with national and global industry leaders and build relationships that will be beneficial in the future.

(I) Local Forums and Conferences

- National Economic Forum

During the year under review, the Authority played a key role in organizing and participation of the first Somaliland Economic Forum hosted by the National Economic Sector Committee of the Somaliland government, with the main goals of identifying opportunities, presenting solutions to problems, and rethinking the Somaliland economic situa-

mium and claims; contracts with third-parties and insurance reports, so that the authority can get reliable and updated reports and information at any time. In addition, this system enables the Authority to access information from various insurance companies at the same time. Therefore, the year under review has witnessed the successful development of the ERP management system by the Authority.

tion from the perspective of professionals and economists.

The forum was held at Ambassador Hotel in Hargeisa on 12-14 September, 2022 and brought together over 200 participants including; government officials, policymakers, entrepreneurs, international investors, professionals and economists, professors and academics, traditional leaders and religious scholars, and many other stakeholders.

Panel discussions were held on seven key areas including Financial Services- banking and insurance, in order to identify key challenges and proposes sustainable solutions. During the event, participants and experts shared and discussed their ideas on how to strengthen the economy of Somaliland through various ways such as improving

policies, infrastructure and market access to boost investment into local industries among others.

The three-days forum offered valuable insights on the economic outlook of Somaliland and presented an opportunity for different sectors to develop an in-depth understanding of the current situation, as well as, the challenges and opportunities ahead.

(II) International Forums and Conferences

- Global Takaful and Re-Takaful Forum

The Chairman of the National Insurance Authority along with the Director General attended the “4th Global Takaful and Re-takaful Forum” on 24th August, 2022 in Dubai. The event brought together more than 100 participants from across the world to discuss the latest developments in the Islamic insurance and re-insurance industry.

The DG of the Authority delivered a presentation on the Somaliland insurance sector, highlighting key developments and challenges in the sector since the establishment of the first sharia-compliant insurance company in Somaliland in 2012. He further outlined

3.6 ENGAGEMENT WITH ISLAMIC SCHOLARS

To ensure the sharia-compliance of the Insurance Companies Bill, the Authority relentlessly met and engaged with Islamic scholars.

In this regard, the Authority organized several meetings and consulted with

the opportunities that exist in the region for the insurance industry, and how the authority is helping the industry to develop in line with its strategic goals. On the other hand, the Chairman of the Authority chaired a panel discussion on the contribution of Islamic insurance to the world economy, with several leading industry experts. The panelists discussed how takaful can be a destination for sustainable financial world that can help the poor build assets and create wealth through the concept of saving, investing and insuring in a compliant manner.

- African Islamic Banking and Takaful Summit

On July 26th-28th, the Director-General of the Authority attended the “9th African Islamic Banking and Takaful Summit” representing the Authority as a keynote speaker. This conference was organized by AlHuda- Centre of Islamic Banking and Economics and was hosted in Dar-es-Salaam, Tanzania.

The theme of the conference was ‘Unleashing the potential for development of Islamic banking and takaful in Africa’ and was attended by numerous delegates from Africa and around the world. In his keynote speech, the DG addressed key issues relating to the future of Islamic finance and how collaboration between regulators and the industry can help promote growth and stability in the insurance sector.

the Islamic scholars on the Insurance Companies Bill and took their feedback into account before drafting the Bill for the Parliament.

This timely engagement with the Islamic scholars was essential for the Authority,

as it allowed the authority to ensure the sharia-compliance of the proposed

3.7 ENGAGEMENT WITH TRANSPORT ASSOCIATIONS

The National Insurance Authority, with the help of the Ministry of Transport and Road Development, held a meeting with the transport cooperatives in Somaliland.

The main purpose of the meeting was to engage with transport cooperatives in Somaliland to explore the possibility of

3.8 MEETING WITH MEDICAL SERVICE PROVIDERS

In an effort to grow its reach, the Authority had a meeting with the management of the hospitals that provide health services using insurance systems in the country. The purpose of the meeting was to review the status

3.9 MEETING WITH IFC WORLD BANK

During the year under review, the international finance cooperation, i.e. World Bank, had a meeting with the National Insurance Authority to explore viable opportunities, and assess the market and regulatory framework for the IFC to engage in Digital Finance

3.10 COLLABORATION AND PARTNERSHIPS

During the year under review, the Authority signed collaborations and partnerships with international and government institutions.

(i) Collaboration with International Institutions

- Collaboration with AlHuda-CIBE

On 24th August 2022, AlHuda – Centre of Islamic Banking and Economics (CIBE) and National Insurance Authority (NIA) of Somaliland signed a Memorandum of Understanding (MOU) for

legislation.

obtaining insurance coverage for their vehicles and find ways to improve the safety and well-being of its members. The participants voiced their concerns and issues that need to be addressed by the Authority and agreed to work closely with the Authority.

of medical insurance system in the country; while also strengthening the cooperation between the Authority and medical service providers.

Services (DFS) in Somaliland.

The outcome was a future collaboration between the IFC and the Authority in order for the Somaliland insurance industry to thrive.

mutual assistance. The MOU would, among others, set a platform for mutual assistance, and promote training and education of the staff of National Insurance Authority- Somaliland.

- Collaboration with Ethiopian Insurance Regulator and Roads Agency

On 3rd September 2022, the Chairman of the Authority along with the Minister of Transportation and Road Development of Somaliland jointly visited Addis Ababa in Ethiopia to meet with senior officials from the National Bank of Ethiopia and the Roads Agency of Ethiopia.

The main goal of this visit was to discuss the previous agreement of facilitating trade and transit between Somaliland and Ethiopia by insuring trucks and other vehicle engaged in cross border trade between the two countries.

(ii) Collaboration with Government Institutions

- Collaborations with Ministry of Transportations and Roads Development

On 2nd August 2022, The National Insurance Authority has signed a memorandum of understanding with the Ministry of Transportation and Road Development for collaboration in enforcing the compulsory third-party motor liability insurance in Somaliland. The signing of the MOU is part of efforts by the Authority to increase insurance coverage in Somaliland to reduce the number of road accidents in the country.

Collaboration with the Ministry of Information Culture and National Guidance

On 5th September 2022, the Authority signed a partnership agreement with Ministry of Information, Culture and National Guidance, on raising the insurance literacy and awareness level of the Somaliland society especially the rural area communities and those who don't have access to digital platforms.

PART FOUR

4.0 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, protecting the interests of insurance beneficiaries and ensuring supply of high quality and transparent insurance services and products.

4.1 PRUDENTIAL SUPERVISION OF THE INDUSTRY

The Authority's supervisory activities include performing on-site inspections of insurance companies; examining their financial statements, while also investigating complaints submitted by insureds or third parties regarding the operation of insurance companies.

4.2 ON-SITE INSPECTIONS

On-site inspection of insurance companies is one of the fundamental tasks performed by the Authority. This activity aims to ensure that insurance companies comply with financial regulations and provide accurate information about their operations.

Whether they have adequate levels of capital to withstand any unforeseen financial shocks.

The inspection showed that all insurers are well positioned to weather any market shocks and continue to fulfill their respective business obligations to their customers. To this end, the result of the inspection was shared with the insurance service providers, and we provided them with feedback on how to improve their practices and policies to enhance their business performance.

Throughout the year, the Authority carried out 1 on-site inspection on the insurance companies namely Takaful Insurance of Africa, Al-Barakah Insurance, Horn of Africa Insurance, Amaanah Insurance and Wadaag Insurance and met with CEOs, senior management teams and other relevant staff to discuss their financial positions and business strategies. This inspection mainly focused on assessing whether the insurance service providers comply with regulatory requirements and

To conclude, the insights the Authority have gained will help in forming a future policy initiatives and ensure that the industry remains resilient and healthy.

4.3 INSPECTION HIGHLIGHT

It's also very important to highlight that Horn of Africa Insurance- one of the licensed insurers operating in Somaliland, is moving to a cashless transaction and have developed a digital software regime to manage insurance business in their company. This system comprises of two platforms- the general insurance platform and the medical insurance platform which makes everything related to insurance business easy, accessible and transparent.

Somaliland is home to more than 4 million people, of whom the majority of them are educated youths under the age of 35. This youth have the ability to create a positive outlook for the market. Thus, they represent a potential customer base that insurance operators can't afford to ignore.

With these digital technology available today, the industry has an opportunity to reach these potential customers in a far more effective manner than ever before and retain them for more years to come.

PART FIVE

5.0 FINANCIAL PERFORMANCE OF THE INDUSTRY

5.1 OVERALL PERFORMANCE

5.1.1 Insurance Industry Performance

During the year under review, the insurance market achieved an overall growth of 41% in gross premium written from \$2.2 million to \$3 million. The industry's outward reinsurance grew from \$170 thousand to \$213 thousand, representing an increase of 25%.

In addition, the net premium of the industry grew from \$2 million to \$2.8 million which also represent an increase of 41% in the year under review. Therefore, its notable that Somaliland insurance industry has shown an overall growth and improvement in the last year.

5.1.2 Policies

During the year under review, there was positive growth in the number of policies written within the insurance industry. The insurance service providers have issued 289 insurance

policies in the year 2022; this represents an increase of 9% compared to the 265 insurance policies underwritten in 2021.

5.1.3 Insurance Indicators

The market penetration registered has increased from 0.07% in 2021 to 0.09% during the year under review. The increase in the insurance pen-

etration rate represent a significant growth compared to previous years' penetration rates i.e. 2019: 0.04% and 2020: 0.06%

Table 5.1: Overall Performance of the Industry

Industry Performance	2021	2022	Annual Change (2022-2021)
Policies	265	289	9%
Gross Premium	2,200,412	3,092,332	41%
Reinsurance	170,317	213,519	25%
Net Premium	2,046,095	2,884,741	41%
Penetration Rate	0.07%	0.09%	41%

5.2 GROSS WRITTEN PREMIUM

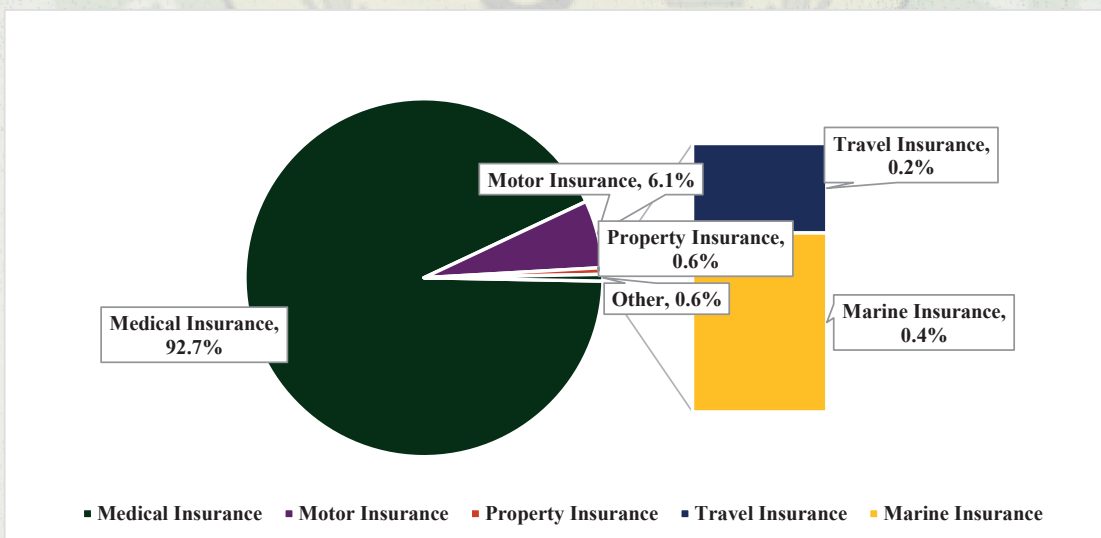
In the year of 2022, the industry generated a gross written premium of 3\$ million. This represent a significant growth of %40.5 compared to the 2.2\$ million of gross premium written in the previous year. The distribution of gross written premium per class of business for year 2021 and 2022 is as shown in table 5.2.

Table 5.2: Distribution of Gross Written Premium

Class of Business	2021	2022	Annual Change (2022/2021)
Motor	108,341	189,945	%75.3
Medical	2,071,049	2,866,775	%%38.4
Property	13,500	18,500	%%37
Marine	3,000	12,811	%327
Travel	4,521	4,301	%5-
Total	2,200,412	3,092,332	%40.5

Medical and motor classes remained the biggest contributors to the gross written premium of the industry amounting to 98.8% of the total gross premium written by the insurance sector in the year of 2022. The contribution of gross written premium per classes of business is as shown in the figure below.

Figure 5.2: Distribution of Gross Written Premium Per Class of Business for the Year 2022



5.3 INCURRED CLAIMS

During the year under review, the industry's incurred claims amounted 1.3\$ million. This is an increase of %8 compared to the 1.2\$ million reported in the year 2021. The claims incurred per class of business for the year 2021 and 2022 is as shown in table 5.3.

Table 5.3: Claims Incurred Per Class of Business

Class of Business	2021	2022	Annual Change (-2021 2022)
Motor	62,186	103,273	%64
Medical	1,158,271	1,227,459	%6
Property	0	0	%0
Marine	0	0	%0
Travel	10,817	4,486	%59-
Total	1,231,873	1,335,218	%8

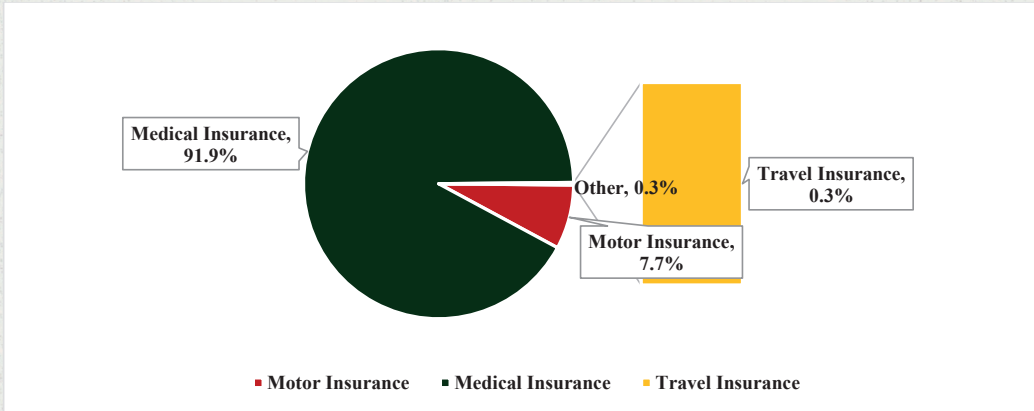
5.3.1 Distribution of Incurred Claims per Class of Business

The high premium volume classes of insurance business contributed the largest proportions of incurred claims; medical and motor insurance. In the year under review, medical insurance had the highest incurred claims amounting to \$1.2 million, representing 91.9% of the total incurred claims.

Motor insurance was the second- highest class contributing a total of \$103 thousand (7.7%) of the total incurred claims.

On contrary, property and marine insurance had the lowest incurred claims contributing zero dollar to the total incurred claims. Thus, property and marine insurance had 0% distribution to the total incurred claims of the industry.

Figure 5.3: Distribution of Incurred Claims per Class of Business for the Year 2022



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 mentioned ratios analyzed for Somaliland insurance industry are in line with the global standards of insurance industry. These ratios are presented in the table below.

Table 5.4: Useful Ratios

Ratio	2021	2022	Global Standard
Retention Ratio	%93	%93	Undefined
Net Incurred Claim Ratio	%60	%46	%50 to %70
Commission Ratio	%4	%4	<=%10
Management Expense Ratio	%6	%9	<=%25
Combined Ratio	%71	%60	<%110



