



cutting through complexity

The African insurance market at a glance

Extract from KPMG's Insurance
M&A report for Africa, including
country by country analysis



Key trends impacting the insurance sector in Africa

Overview

- We expect to see an increasing level of M&A activity as new investors are attracted to the continent and there is an uptick of inter regional activity, particularly from South Africa
- Macro economic and demographic trends continue to support the underlying investment thesis, combined with low insurance penetration levels and a developing sector
- High growth potential exists in a number of markets but we expect sub-Saharan Africa to be particularly attractive over the next 5-10 years, with an active M&A environment as insurers look to capitalize on the opportunities

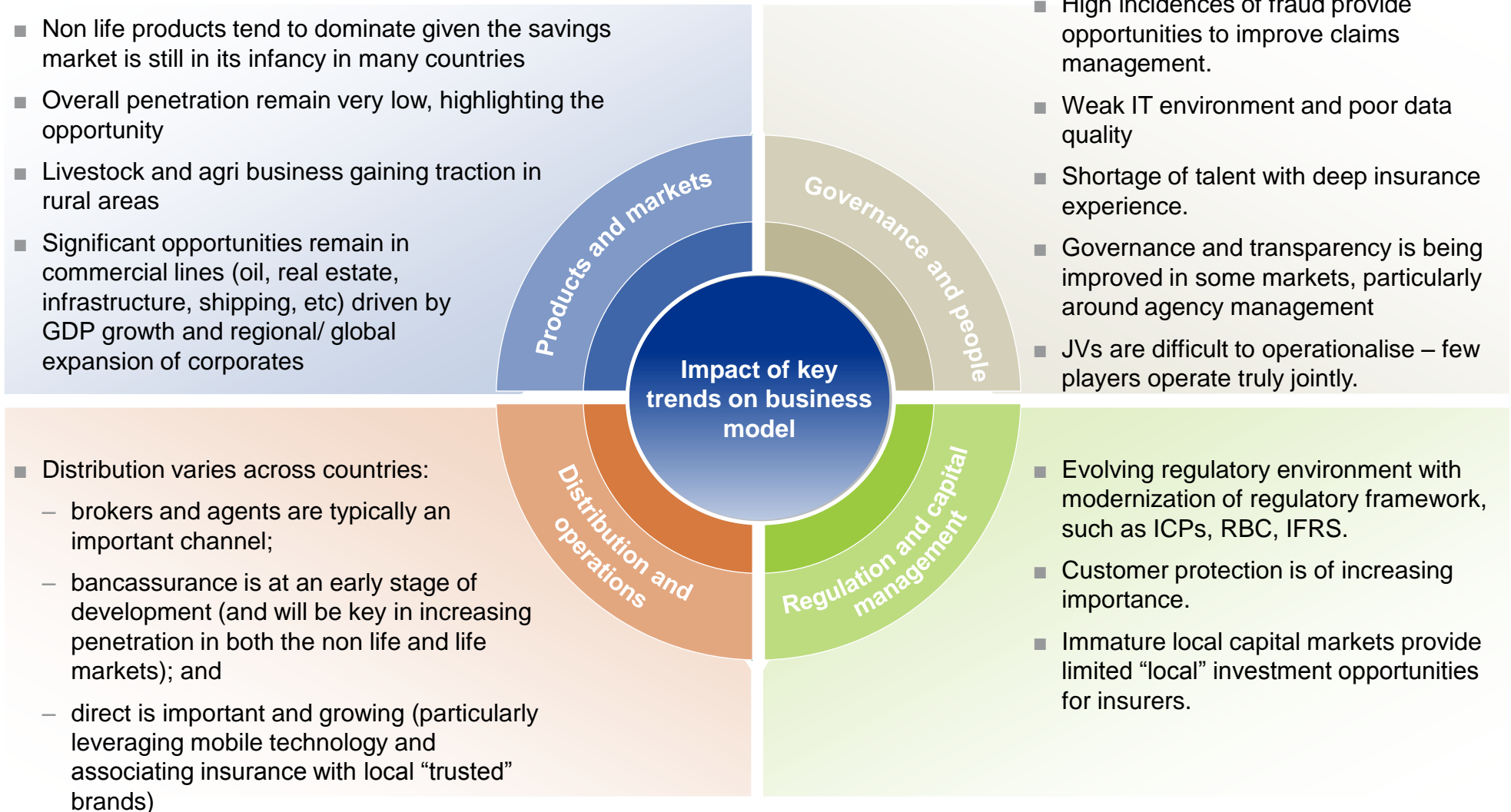
Development of the industry

- Many markets in Africa are experiencing a step forward in terms of the sophistication of the insurance market. However, in comparison to other global high growth markets, there are still significant areas requiring development
- We believe positive influencers for the industry are:
 - an active regulatory agenda and reform (leveraging the IAIS Insurance Core Principles)
 - increasing collaboration between regulators to show best practice and agree common framework for future reform (e.g. CIMA and EAC)
 - development of bancassurance model in some countries which will encourage growth of the life insurance market
 - innovation, in terms of new products and developing direct capability, leveraging mobile technology (opportunity to leapfrog more mature markets)
 - strong approach taken in many markets to improve poor market practice (e.g. payment of premiums by agents) which will help reduce fraud and improve compliance standards
 - commercial insurers will benefit from the continued development of the oil sector and growth of related and other infrastructure
 - continued focus on micro insurance which will help improve education and awareness (currently a major barrier, with insurance lagging behind the banking sector)

Challenges in undertaking transactions

- We highlight that the challenges in undertaking transactions should not be underestimated and potential investors should expect to face lengthy and delayed processes with potentially unexpected developments
- Investing in the relationship and building a consensus view of the transaction structure and perimeter, valuation expectations and need for detailed due diligence is recommended

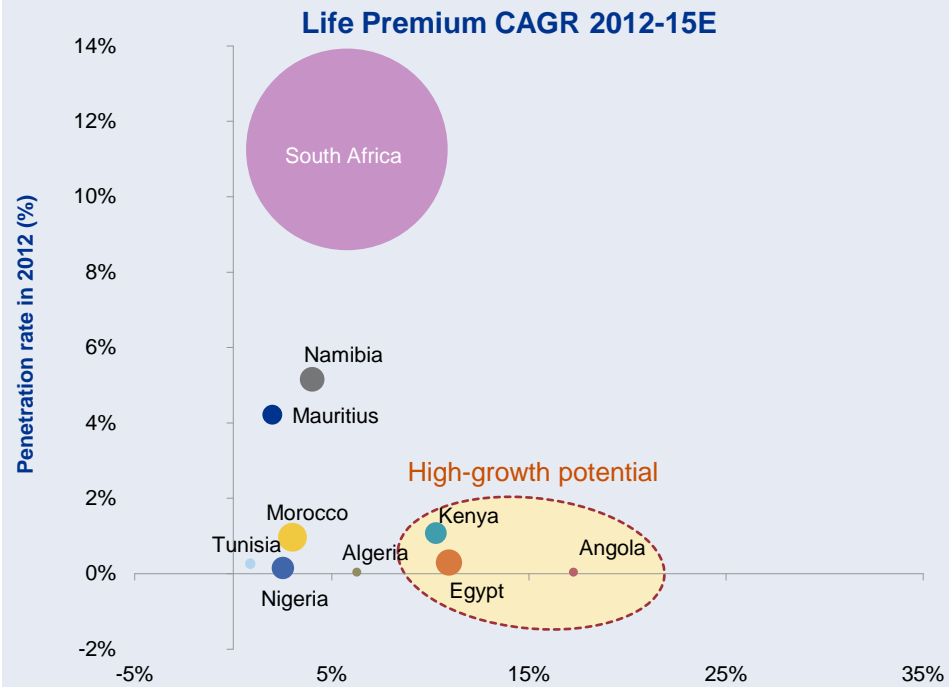
Key trends impacting business models in Africa



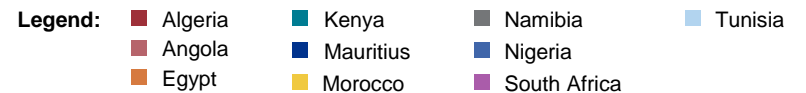
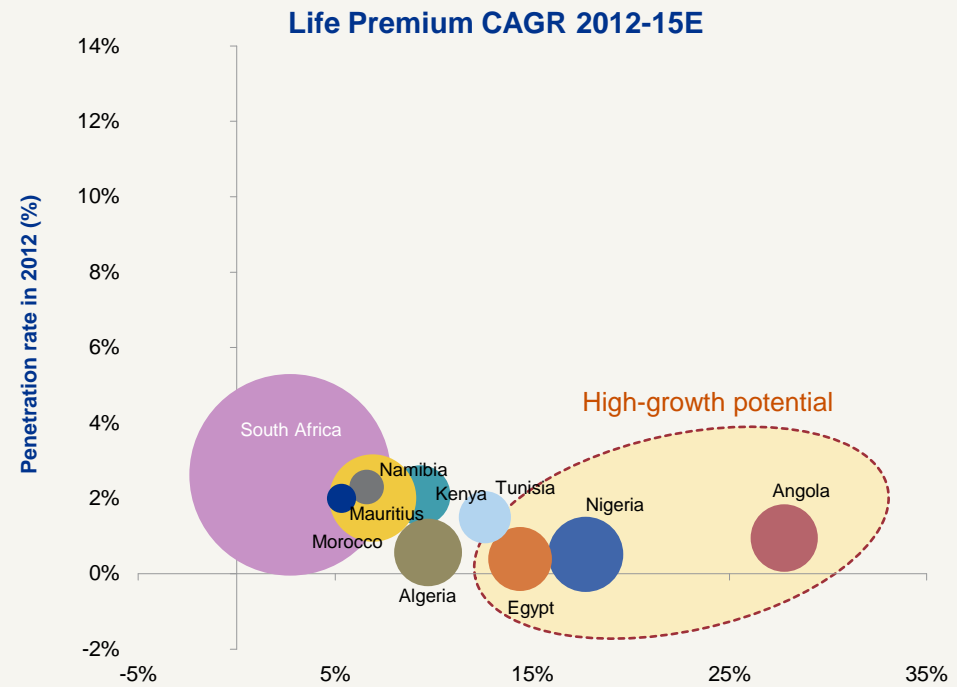
Snapshot of Africa premium volume, penetration rate and growth outlook

Premium volume, penetration rate and growth outlook^(1, 2)

Life insurance



Non-Life insurance



Note: (1) Bubble size denotes premium volume for 2012, in USD; (2) The bubble size in the life and non-life charts are not comparable

Source: Business Monitor; EIU; Swiss Re Report 2012; World Bank

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