



LONG-TERM INSURANCE INDUSTRY

2021
FEBRUARY

INTRODUCTION

Long-term Insurance

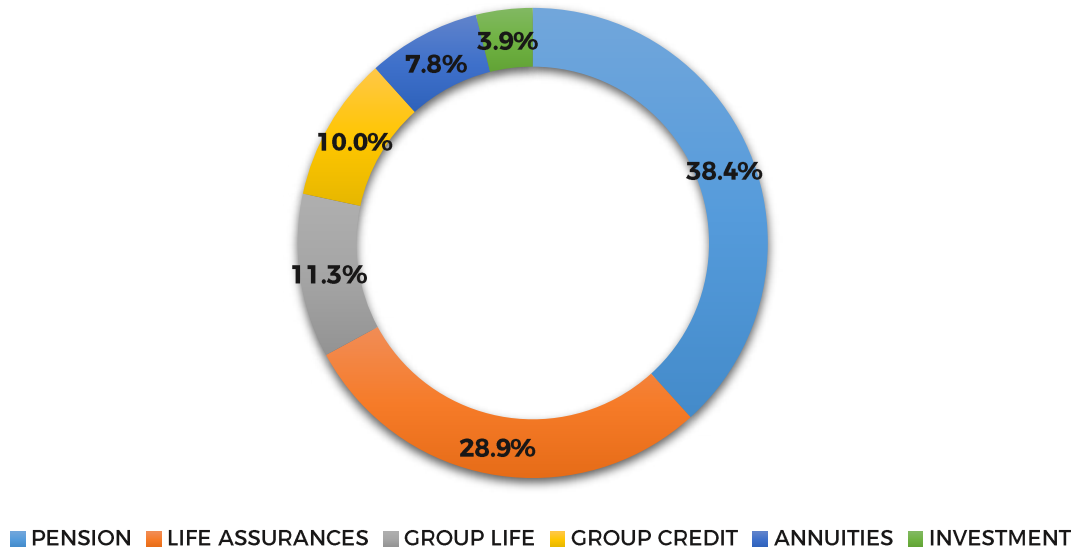
Long-term insurance includes insurance business of all or any of the following classes;

- a. Life assurance;
- b. Annuities;
- c. Pensions (personal pension or deposit administration);
- d. Group life;
- e. Group credit;
- f. Permanent health;
- g. Investments

The following research presentation highlights the trends in the combined long-term insurance industry in Kenya between 2015 and 2019.

OVERVIEW - 1

Classwise composition of Long-term Business Based on 2019 GWP

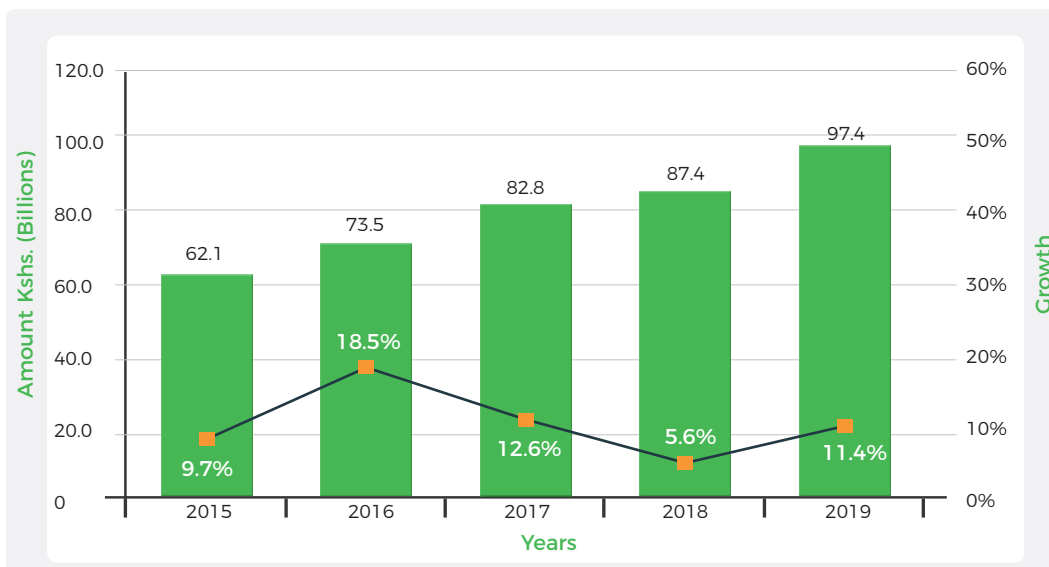


Long-term insurance business comprises life assurance, annuities, pensions, group life, group credit and investments.

Pensions was the largest class constituting 38.4% of the total long-term GWP in 2019. Life assurance formed 28.9% while group life had 11.3%.

Group credit, annuities and investments comprised 10%,7.8% and 3.9% respectively.

Gross Written Premium

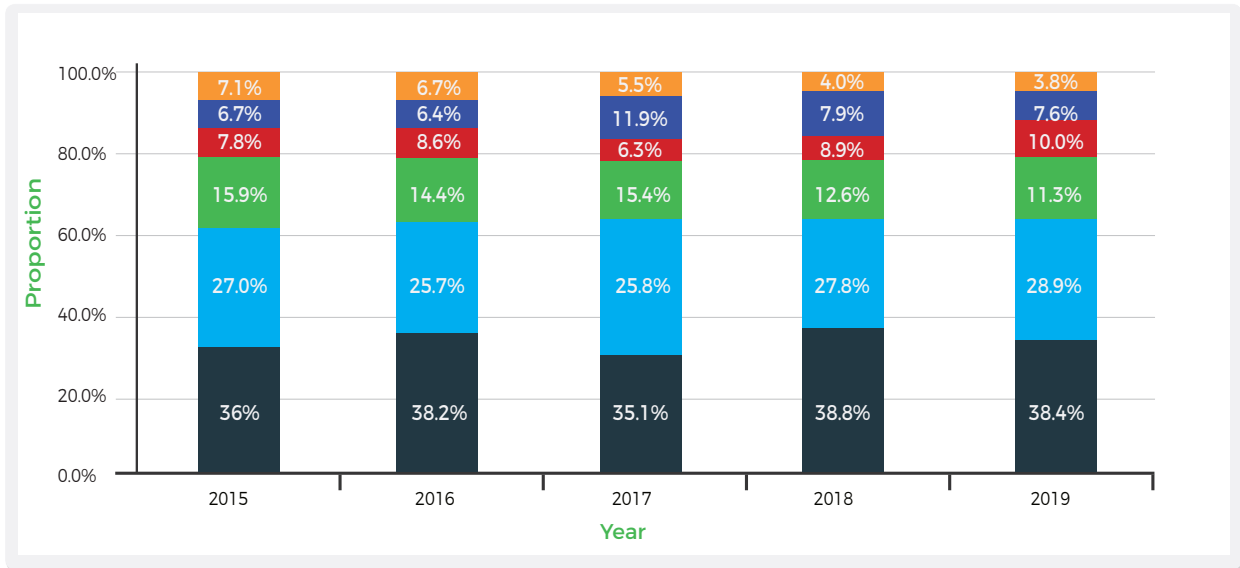


In 2019 the GWP registered amounted to KES 97.4 bn, signifying an 11.4% growth from 2018.

The cumulative annual average growth rate in the GWP from 2015 to 2019 was 11.9% p.a.

OVERVIEW - 2

Classwise proportions of GWP

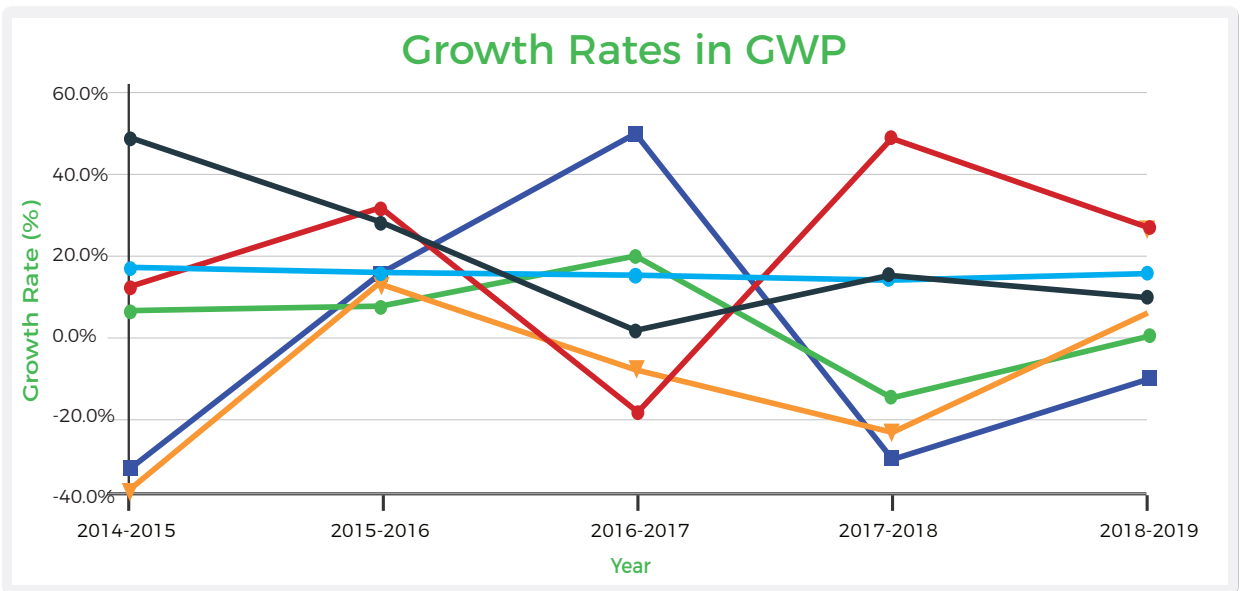


● Pensions
 ● Group Credit
 ● Life Assurances
 ■ Annuities
 ● Group Life
 ▼ Investments

Pensions has been leading in terms of GWP collected at an average of 37.4%.

Life assurance and group life follow with an average proportion of 27.1% and 13.7% respectively.

Investments has recorded the lowest premiums collected with an average proportion of 5.2%.



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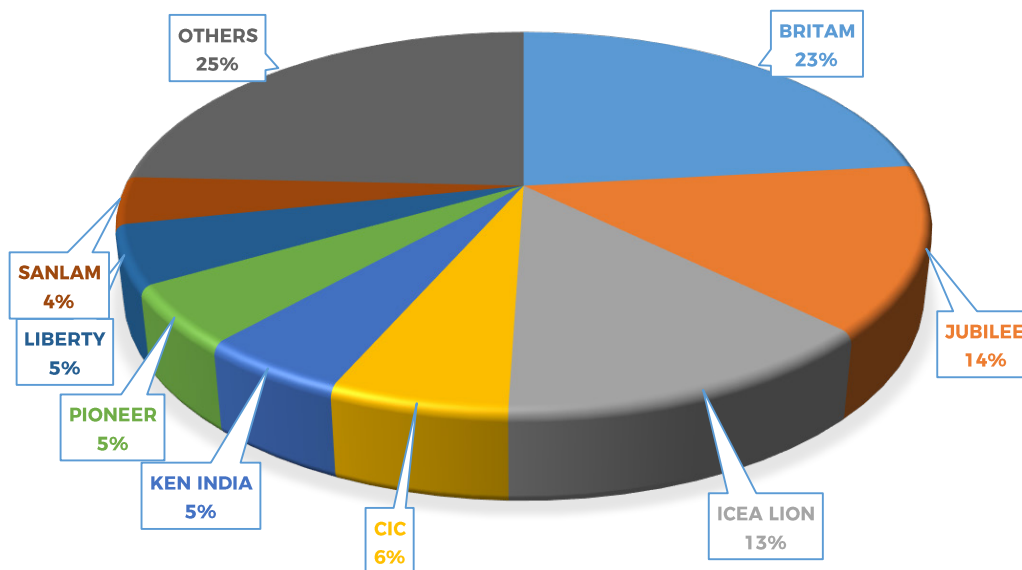
Over the 5 year period, Group credit registered the highest cumulative average annual growth rate at 19.2% p.a.

Annuities, pensions, life assurance and group life had an average annual growth rate of 15.8%, 14.2%, 13.9% and 2.8% respectively.

Only Investments had a negative cumulative annual growth rate over the 5-year period with a rate of -4.4% p.a.

MARKET SHARE

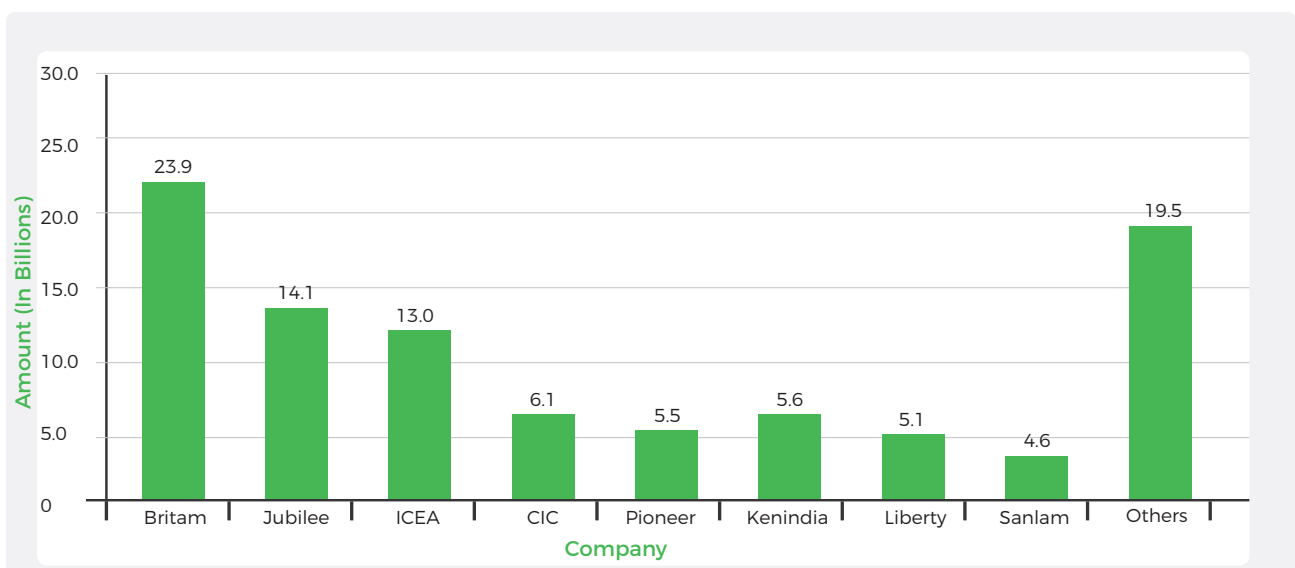
Market share based on 2019 GWP



There are a total of 25 insurance companies who underwrite longterm insurance business in Kenya.

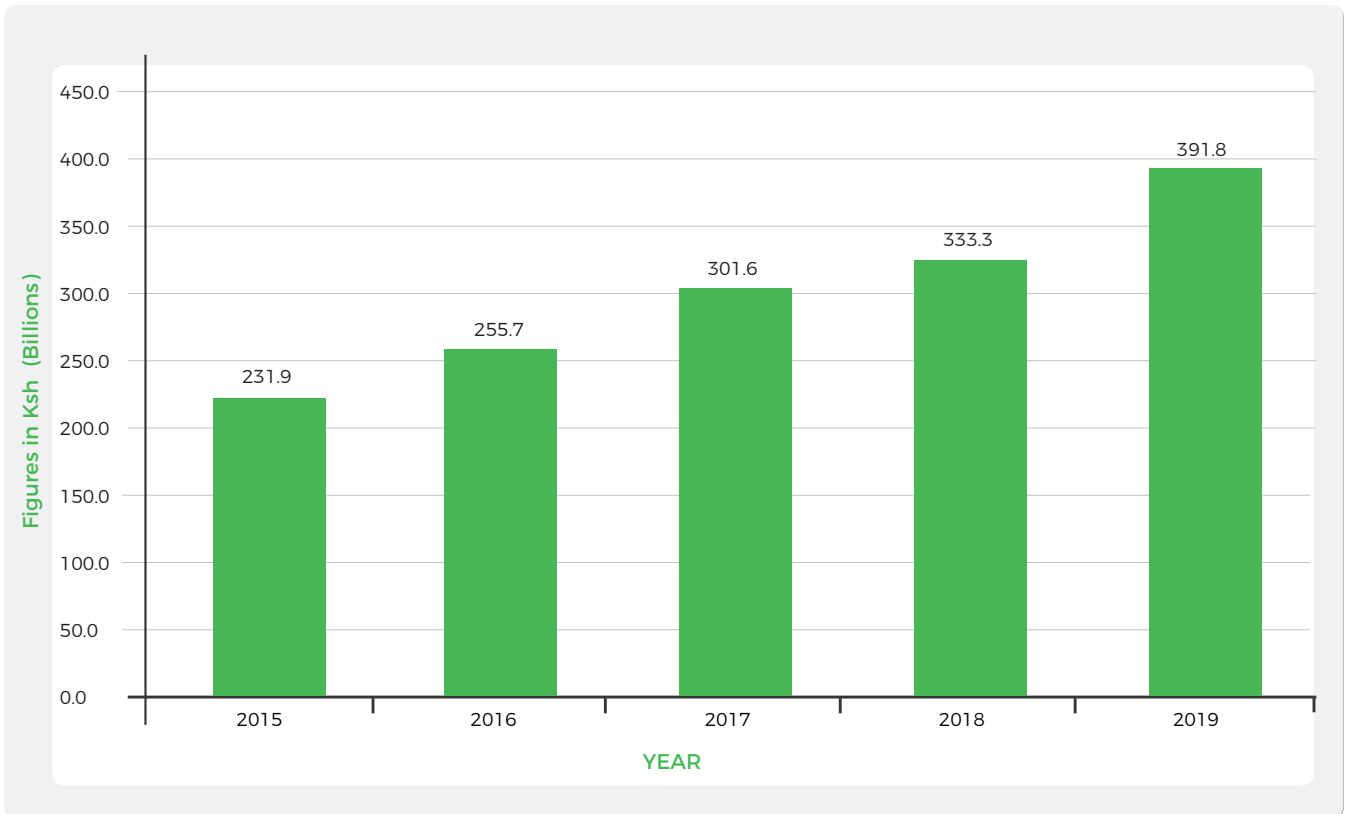
Based on the GWP, Britam Insurance Ltd was the largest longterm insurance underwriter in 2019 at 24.5% of the market share. This translates to 23.9 billion in absolute amounts. Jubilee and ICEA LION came in second and third at 14.4% and 13.4% of the market share respectively.

Longterm Insurance GWP in 2019



LIFE FUND

Life Fund



The life fund has been growing steadily at a cumulative annual average growth rate of 13.7%.

BENEFITS

Benefits



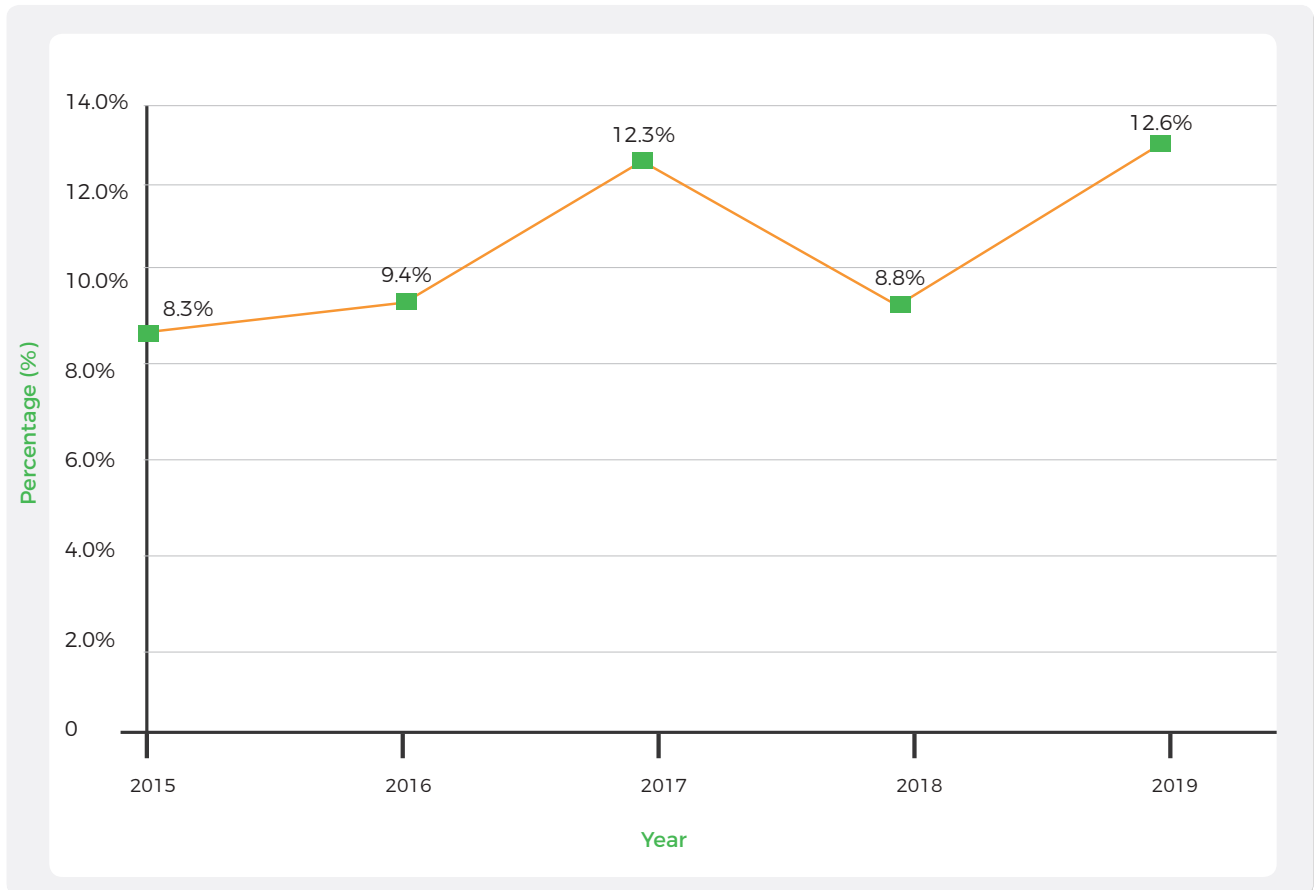
Benefits for long term insurance are paid out in form of maturity payments, death claims, surrenders, annuity payouts or bonuses.

Between 2015 and 2019, the benefits grew at a cumulative annual average rate of 14.3% p.a.

The average ratio of benefits to the life fund over the five year period was 16.7% while the average ratio of benefits to the GWP was 54.5%.

INVESTMENT RETURN

Investment Return Ratio



Investment return has been on an upward trend except for a dip in 2018 attributable to a decline in performance of equity markets.

The investment return has averaged 10.1% over the years 2015-2019.

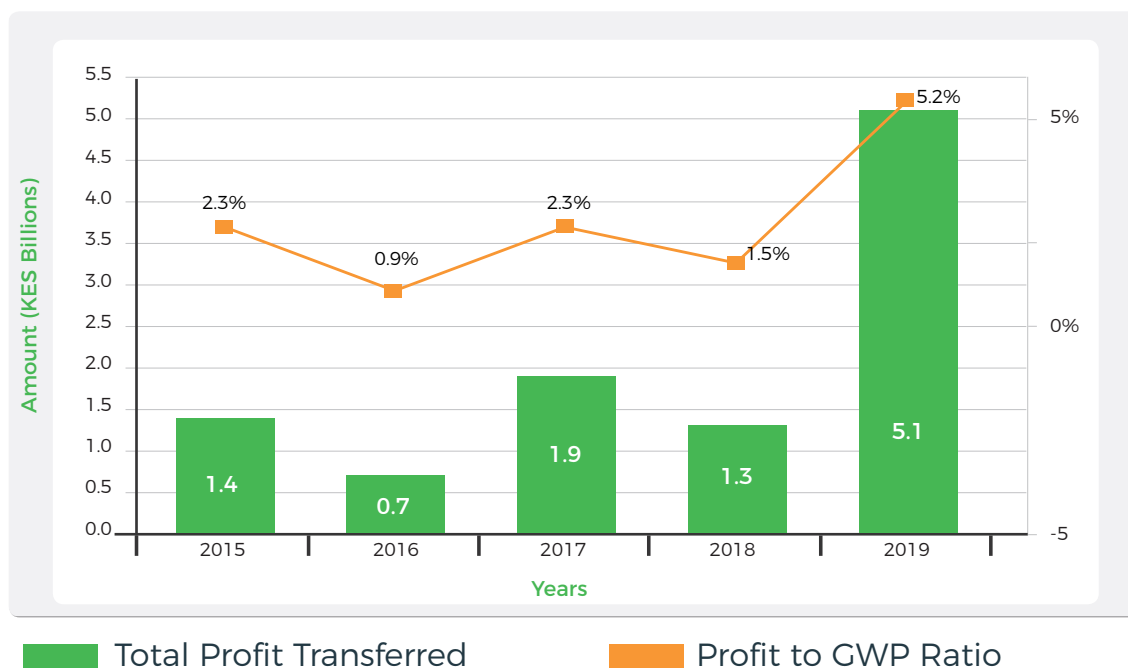
EXPENSES AND PROFITABILITY

Management Expenses



Management expense have grown at a cumulative annual average rate of 8.0% p.a. The gross management expense ratio has averaged 16.4% over the five year period.

Transfer to P&L



The profit ratio stood at an average of 2.0% over the 5-year period. There was a significant increase in profit in 2019 attributed to an increase in the investment income by 67.5%. The cumulative annual average growth rate in profit was 37.1% over the 5-year period.

Conclusion

- Long term insurance industry has recorded a steady growth in premiums at an average rate of 11.9% p.a over the last 5 years with pensions and life assurance being the largest classes in terms of the volume of business written.
- Group credit and annuities are the fastest growing classes with an average growth rate of 19.2% and 15.8% respectively. These two classes present a great opportunity for companies to grow their business.
- The profit has also shown significant growth over the last 5 years at 37.1% p.a on average.
- The investment return has averaged 10.1% p.a over the 5 years. Good investment performance contributes to profitability thus it is ideal for companies to have a clear investment strategy.
- Management can use this report to assess their individual company performance against the industry. This will help in decision making.

DISCLAIMER

In preparing this report, we have relied primarily on the information provided by the Insurance Regulatory Authority (IRA).

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