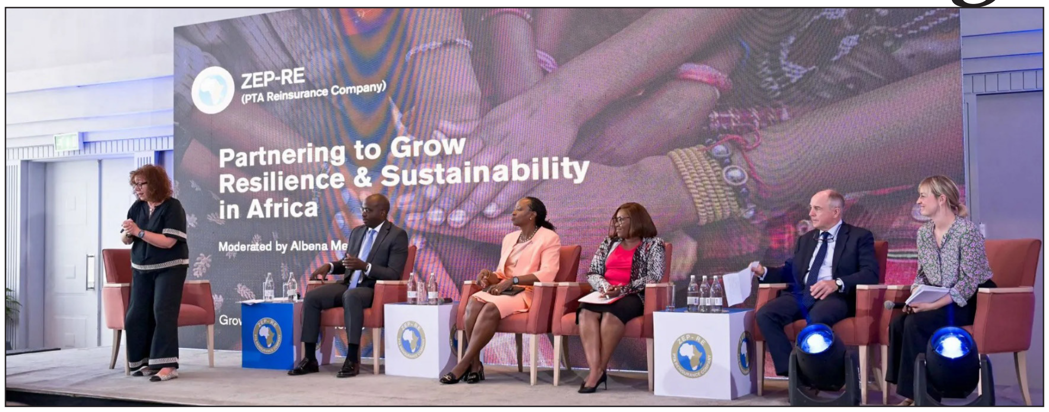
African underwriters must embed forward-looking resilience in their risk management strategies



African insurers and reinsurers should give resilience a forward-looking approach by not only responding to risks after they occur but also anticipating and mitigating them before they materialise. This means shifting from reactive recovery to proactive preparedness.

This was the rallying call to delegates who attended the recent launch of the second edition of ZEP-RE Sustainability Report in Nairobi. The morning event, aptly themed 'Resilience Breakfast,' emphasised the importance of partnerships, innovation and a forward-looking mindset in building resilience across the continent.

ZEP-RE Environmental, Social and Governance (ESG) manager Mirriam Mueni started off by reminding delegates of the importance of collective solutions for the continent and why it matters to collaborate. She quoted the words of the famous African author Chinua Achebe:

"A man who calls his kinsmen to a feast does not do so to save them from starving. They all have food in their own homes. When we gather together in the moonlit village ground it is not because of the moon. Every man can see it in his own compound. We come together because it is good for kinsmen to do so," said Mueni as she welcomed ZEP-RE managing director Hope Murera on stage.

Huge protection gap

Murera said it was worrying that Africa loses an estimated US$10-15 billion annually on climate-related shocks yet insurance penetration across sub-Saharan Africa remains between at 2-3%. This huge protection gap, she said, means millions of households, small businesses and public institutions all remain highly vulnerable to risks that can wipe out decades of progress in a single season.

"At ZEP-RE, we have always believed that resilience is more than the ability to withstand shocks. It is the capacity to adapt, innovate and grow stronger in the face of adversity. Today, this mission is more urgent than ever," she said.

She told risk managers to think about solutions, partnerships and purpose in the journey of building resilience across the continent. Citing cross-border events such as climate change, micro-economic volatilities, evolving regulatory landscapes and social risks, Murera said such landscape demands that insurers and reinsurers not only respond but also lead.

"They demand that we innovate new models, embrace sustainability standards, deepen trust within our clients and collaborate across industry and development to unlock scale," said Murera, emphasising that risk management institutions must pursue profit and purpose with equal vigour.

"Reinsurance, by its very nature, is resilience in action. It spreads risks, protects balance sheets and ensures that shocks do not become systemic crises. It cushions economies from disasters, stabilises financial systems and enables insurers to extend protection to households, farmers and businesses that would remain unserved and unprotected."

Resilience through partnerships

Murera noted that ZEP-RE's work with clients and partners remains central to its mission of resilience and sustainable growth. She cited initiatives such as enabling SME businesses, protecting pastoralist households under the DRIVE programme and supporting smallholder farmers through its subsidiary ACRE Africa.

She added that ZEP-RE also facilitates cross-border trade through regional risk pools like the Common Market for Eastern and Southern Africa (COMESA) Yellow Card and the Regional Customs Transit Guarantee (RCTG) Scheme, building industry capacity through the ZEP-RE Academy and supporting renewable energy transitions through innovative insurance solutions.

ZEP-RE released its first sustainability report in 2024 and has followed up with the second edition, which Murera hailed as a testament to the reinsurer's commitment to reporting useful information to stakeholders and showcasing why it exists.

"The report shows how far we have come as an organisation. But more importantly, where we are headed to be a catalyst, a trusted partner and a leader in shaping Africa's resilience," she said.

Murera concluded her remarks by invoking an African adage that says a society grows great when elders plant trees whose shade they know they shall never sit in. She used this proverb to remind policymakers across the continent that they owe a duty of resilience to future generations.

The launch of the ZEP-RE Sustainability report themed 'Leading partner in growing Africa's resilience, including a rich panel discussion under the topic 'Partnering to Grow Resilience and Sustainability in Africa.'

Growing resilience

ZEP-RE director of partnerships Albena Melin, who moderated the panel discussion, started by putting the panellists on the spot by posing a direct question about what their organisations are doing to grow resilience in the continent.

First with the microphone was Akinyemi Awodumila, partner at PricewaterhouseCoopers (PwC) Kenya and sustainability and climate practice leader for East Africa. He said balancing profits and purpose is something that organisations like PwC are now pursuing, without viewing either goal as inferior to the other.

"In the context of building resilience and understanding how we all come together to solve and build better for the continent, is something PwC is deeply committed towards helping to drive and shape and ensure that leaders across society understand the trade-offs that we need to make, taking a balanced view, ensuring that development, prosperity and the conversation around sustainability are not seen as mutually exclusive," he said.

Hanna Dohrenbusch, manager for Partners in Transformation Desk East Africa, said as a development finance institution, her organisation contributes to resilience by focusing on firms that showcases balance between commercial viability and impact.

Jonathan Stichbury, CEO of Sanlam Investments in East Africa weighed in, explaining that as a fund manager, his organisation invests capital into businesses or investment opportunities which are going to stand the test of time and are resilient.

"We champion ESG in all our investments. In fact, it is a key part of our investment process. We make it very clear to the companies and issuers of securities we wish to invest in that this is not an area we are willing to compromise on. They will not receive funding from us unless they are cognisant of, and actively pursuing, strategies that align with ESG principles," he said.

Forward-looking approach

Stella Njunge, chief executive at NCBAIG, said insurance is at the heart of resilience since it enables societies and individuals to recover from shocks. She challenged risk managers to take a forward-looking view if they are to build more resilience in the continent.

"We need to think of it in terms of defining and coming up with products that not only address the shock themselves, but also provide a sort of bridge that we are able to create a form of stability for individuals so that they are more prepared for the next series of shocks," said Njunge.

"Insurance is based on historical claims, but now we are seeing newer areas where there is no history to build on. So, we need to be a bit more forward thinking and come up with a way to define how we will be able to pay claims or price insurance products in a way that is sustainable and at the same time impactful for our customers."

Njunge reminded delegates that the face of insurance is rapidly changing within organisations. She urged industry leaders to look around their boardrooms and consider the median age of management, noting that it often does not reflect the demographic profile of their customer base. The key question, she said, is how the industry can remain relevant to Generation Z, who are now entering the workforce and will in another decade be the decision-makers and managers driving the business.

Digital investments

Njunge emphasised that insurance products can no longer remain traditional. According to Njunge, a major weakness within the industry has been the tendency to develop products from a management perspective rather than from the customers' point of view. To address this, she called for greater adoption of parametric and index-based insurance solutions with clearly defined outcomes—approaches that align with the expectations of younger customers who demand transparency and efficiency.

Njunge further stressed the need for insurers to run their businesses differently, embracing digital-first, "always-on" service models. She highlighted the importance of leveraging partnerships with telecommunication companies, credit providers and banks to reach this emerging market, given the continent's high mobile penetration rates.

Finally, she underscored the urgency of closing the trust gap between insurers and customers. Building trust, she said, is essential for shifting perceptions of insurance from being seen as a cost to being understood as a means of capital preservation. She observed that Generation Z consumers, in particular, prefer simple, unbundled products such as single-device or item-specific insurance.

Scaling up

When asked how sustainability-oriented insurance products could be scaled across the continent, Murera reflected on the lessons ZEP-RE has learned in its journey to make insurance more inclusive and impactful. She acknowledged that for a long time, many products distributed across African markets had limited reach and failed to impact the majority of people meaningfully.

"The first lesson," she said, "was to ask ourselves how to stay relevant and impactful." She added that this thinking has become central to ZEP-RE's approach: "We always ask – is it addressing the need? Is it the right thing to do? The commercial benefits will follow if we get that right."

Murera pointed out that insurance penetration in Africa remains very low and that continuing with traditional models would only yield the same results. To change this, she emphasised the need to think at scale and leverage regional pooling mechanisms. She cited ZEP-RE's success with programmes such as the DRIVE initiative, the COMESA Yellow Card, and the RCTG scheme—all of which succeed because they operate across borders.

"Pooling risks at a regional level," she said, "is critical because some of the risks are too large or too fragmented to be managed effectively at a national scale.

She also stressed the importance of bundling products to meet customers' needs—for instance, offering farmers a package that combines insurance with credit or other financial services at their main point of interaction.

Another key pillar, Murera said, is digital transformation. "We have to be technologically enabled—there's no other way," she noted, and emphasised that none of this can succeed without strong partnerships—with markets, regulators, development partners and industry players.

She cited ZEP-RE's Regulators Forum, now in its seventh year, as a key platform for dialogue and collaboration. "You cannot innovate without the right environment," she said. "When we launched the DRIVE programme, for example, it was crucial to engage regulators early. The product could not be sold through traditional broker channels, so we worked with regulators to enable alternative distribution through community mobilisers and NGOs."

ESG and sustainability

For insurers and reinsurers still uncertain about the cost–benefit balance of embracing ESG and sustainability, Stichbury offered a clear perspective. He pointed out that there is now empirical evidence showing that companies and institutions which take ESG seriously—and embed it into the way they do business—consistently outperform those that do not.

"Most investors," Stichbury noted, "do not want to be buying and selling constantly. They want to do their due diligence, invest in solid companies, and hold those investments to benefit from steady returns over years, not just months."

Stichbury added that the momentum behind ESG is irreversible. Although the movement was initially led by international investors, he emphasised that any company seeking to attract capital—anywhere in the world—must now take ESG seriously. He welcomed Kenya's plan to introduce IFRS S1 and S2 standards starting in 2027, describing it as a major step toward institutionalising ESG reporting in the country.

He also acknowledged that, fairly or not, Africa is still perceived as riskier than many other regions by international investors and one effective way to de-risk and attract more capital is for businesses to demonstrate strong governance, environmental stewardship and social responsibility.

Changing landscape

Reflecting on his career, Stichbury recalled how much the investment landscape has evolved. "When I started," he said, "it was difficult even to secure meetings with company executives. CEOs acted like emperors on their thrones—rarely questioned and rarely transparent."

Today, he noted, no serious investor would consider putting money into a business that lacks proper board structures, committees or transparency.

"The market has changed," he concluded, "and we are not going back. Investors everywhere now seek opportunities where they can trust in the long-term sustainability of their investments."