



**REGISTRAR OF FINANCIAL INSTITUTIONS**

**REMARKS BY**

**DALITSO KABAMBE, PhD**

**AT THE**

**INSURANCE INSTITUTE OF MALAWI**

**ANNUAL CONFERENCE**

**SUNBIRD NKOPOLA LODGE**

**MANGOCHI**

**18 AUGUST, 2017**

- ❖ **The President of the Insurance Institute of Malawi, Ms Immaculate Kachapira;**
- ❖ **The President of the Insurance Association of Malawi, Mr Grant Mwenechanya;**
- ❖ **The President of the Life Insurance and Pension Association of Malawi, Mr Tavona Biza;**
- ❖ **The President of the Insurance Brokers Association of Malawi, Mr Wesley Mataka;**
- ❖ **Chief Executive Officers here present;**
- ❖ **Chairperson and the entire organizing committee of this year's Annual Conference;**
- ❖ **Members of the media here present;**
- ❖ **Distinguished delegates;**
- ❖ **Ladies and gentlemen.**

**Good morning.**

It gives me great pleasure and honour to be here today at this year's Annual Conference of the Insurance Institute of Malawi. I am particularly pleased to see that a lot of you have gathered here at this year's Annual Conference. The arrangements and the logistics for this Conference are also excellent and I wish to thank the planners for such an excellent organisation. This augers very well with the theme for this year's Conference, "Business Unusual". We truly must change course. We cannot continue to do the same things believing that we will have a different outcome. We need to change the course for us to get a different result and change we must and we must do it fast and this is the right time to change.

**Madam President,** the Malawi economy is now fully recovering. Inflation is at 10.2% and is the lowest since December 2011 and very soon, we will be in

single digit. Import cover is at a total of US\$1.04 billion comprising of US\$693.4 official reserves and US\$350.9 million private sector reserves and again this is a pick since August 2016. With the disbursement of US\$80 million World Bank support and continued exports of the commodities such as tea and sugar and others, we expect import cover to remain above 3 months of imports to the end of the year and beyond. This is likely to maintain the stability of the Kwacha exchange rate, which has been stable for the past 12 months. As a matter of fact, this is one of the longest periods of Kwacha stability in recent history. With inflation going down and the stability of the Kwacha, interest rates have also been falling and growth is rebounding. The key for Malawi now is how we grow the economy and grow it fast for the benefit of all Malawians. The question therefore becomes what role would each one of us play, in this case, the insurance industry. This

makes the theme of the conference and its timing befitting.

**Madam President**, as I look at the Insurance industry today, its penetration is at 1.4 percent, after 53 years of independence. When compared to other countries, for example; South Africa, insurance penetration is at 16.9%, Namibia 6.7%, and United Kingdom 10.5%. Our penetration is therefore low.

On Pensions, our assets represent 9.3% of GDP compared to 96.8% for South Africa, 79.9% for Namibia and 95.3% for United Kingdom, just to mention a few. Similarly, as at the end of 2016, we had approximately 246,000 employees on private pension against an estimated 5.0 to 6.0 million people in the formal and informal sectors of the economy. This low coverage reflects the existence of untapped pension market which requires us to challenge the

status quo and indeed start doing “business unusual” to tap into this market.

We, therefore, seriously need “business unusual” ideas to turn our industry around and grow it. We need to innovate and develop new ways and practices that will turn the Industry around and make significant contribution to the development of our country.

Insurance is all about protecting our assets and investments in a country. Clearly, there are a lot of businesses, assets and investments from across the country, Nsanje to Chitipa that are not yet insured. Why is this the case and what can be done to ensure that the Industry plays its rightful role? In the Agriculture sector in particular, arguments have been made to the effect that if we had properly insured the sector, we could not have experienced the challenges

of food insecurity and economic challenges the country experienced in 2015 and 2016 when the crop had failed due to weather variability. These are some of the things we need to deeply reflect upon and come up with ways of dealing with such challenges in future.

In the same vein, we also need to devise better strategies on how to invest Pension and Insurance funds intelligently. As we may be aware, total Pension and Insurance funds now stand at K520 billion with a turnover of K100 billion, annually. With contributory Civil Servants pension scheme coming into effect, we project that pension and insurance assets will exceed K1.5 trillion by 2020. We, therefore, need to develop appropriate investment avenues for these resources to positively contribute to the growth of the economy.

At the operational level, challenges that ensue include premium collection, pricing, governance and ICT. These challenges need to be tackled.

On Premium collection, there appears to be a tradition that insurance premium cannot be paid in advance in Malawi. This is despite the issuance of the Premium Directive by the Reserve Bank of Malawi on the same. The Industry, therefore, needs to ensure that the directive is fully complied with.

Similarly, on pricing of products, there is a tendency of checking what others have offered with a view to undercut them and this has led to serious insolvency challenges. This needs to be dealt with. Governance is also another challenge which needs to be dealt with.

Lack of robust management information systems is also another challenge to be tackled. It is worrying to note that some insurers continue to operate without proper management information systems. It is unthinkable and almost impossible to effectively and efficiently run insurance operations without the support of information technology. Information and communication technology has become one of the most important tools in insurance companies. I, therefore, implore upon insurance companies to invest in management information systems in order to increase efficiency, innovation and productivity within the institutions, which will lead to delivery of quality services to our customers.

As for our part as Reserve Bank of Malawi, we will not relent to enforce in full applicable laws and related directives to ensure that the country has a sound, robust and resilient financial system that is fit

for purpose. The world learnt a bitter lesson in 2008 when we had a financial crisis. We must put in place regulation and enforcement mechanisms, which ensure that nothing of that magnitude or proportion happens in future and certainly not in our country.

In this regard, we will continue to enforce all existing laws and regulations, as well as formulate various directives and instruments for the financial industry in the country. The new directives for the pension and insurance industry that we are working on include:

*Financial Services (Insurance Supervisory Levy) Regulation*

*Insurance (Minimum Capital and Solvency Requirements for General Insurers) Directive*

*Insurance (Minimum Capital and Solvency Requirements for Life Insurers) Directive*

*Insurance (Minimum Capital and Solvency Requirements for Reinsurers) Directive*  
*Insurance (Classes of Business) Directive*  
*Pension (Fit and Proper) Directive*  
*Pension (Investment Management of Pension Funds) Directive*  
*Insurance (Inclusive Insurance Business) Directive*  
*Insurance (Reserving Requirements for General Insurers) Directive*  
*Insurance (Group-wide Supervision) Directive*

With assistance from the World Bank, the Reserve Bank of Malawi is also in the process of developing a conducive regulatory framework for inclusive insurance (Micro-insurance). The objective of inclusive insurance is to increase access to quality and appropriate insurance products and services to all Malawians, especially the low income households.

This has the potential to improve the country's insurance penetration.

The Reserve Bank of Malawi is also in the process of developing a regulatory framework for insurance groups operating in Malawi (group-wide supervision). You will agree with me, Ladies and Gentlemen, that regulated entities that belong to financial or indeed any other groups are exposed to various risks which may not be identifiable through the normal solo or legal entity supervision approach currently deployed by RBM. Group-wide supervision is therefore aimed at generating an overall understanding and evaluation of the group so that those factors that may pose risks to the soundness of the group or regulated entities within the group can be identified and managed.

On the life insurance and pension side, some of you may already be aware that my office embarked on the

important exercise of separating life insurance business from pension administration. This exercise is expected to conclude at the end of 2018. This separation will bring transparency and accountability, but also improve governance in the operations of these businesses.

In closing, let me pay special tribute to all captains of the industry that have retired or are nearing retirement for their immense contribution to the insurance industry over the years. The insurance industry would not have been where it is today without their selfless contribution. I have in mind Mr Felix Mlusu, Mr Chris Kapanga and Mr Osman Karim just to mention but a few. I congratulate these veterans of our industry and wish them well in their retirement.

Finally, **Madam President, Distinguished Guests, Ladies and Gentlemen**, let me wish all the delegates

to this conference fruitful deliberations as they put together new thoughts and ideas aimed at transforming the Malawi economy.

I thank you for your attention and may God bless our country.