**Africa’s Trade Boom Drives Demand for Innovative Marine**

**and Cargo Insurance Solutions**

African countries are among the fastest growing economies in the world despite the lingering after effects of the recession that continue to impact on other global, developed economies. In turn, the shipping market has remained buoyant in Africa, driven by the emerging economies of China and India that continue to lead the demand as they import raw materials out of Africa, as well as the rapid reconstruction and development projects taking place throughout the continent.

This is according to Jefferson Sauls, Account Executive at Aon South Africa. “There is a growing demand for marine and cargo insurance now and certainly in the future. Imports into Africa from Europe, USA and China have also grown substantially since 2001. All these factors positively impact on the marine insurance sector as movements of cargo have to be insured with local insurance companies.

“Exports from China and to a small degree from South Africa into Angola, Mozambique and the DRC are on the increase. Nigeria, along with other growing African markets such as Angola, DRC, Mozambique and Tanzania will also be serious drivers for future growth with their natural resources in agriculture, oil and gas. Commodities are estimated to generate about a third of Africa’s growth. At the same time, there has been increasing implementation of regulations that demand that insurance cover be purchased locally, which bodes well for our marine insurance sector,” explains Jefferson

As South Africa’s marine insurance companies expand into the African markets, the risks that can occur whilst goods are transported between buyers and sellers become more complex. However, with the emergence of a number of new players entering the marine insurance sector, the increased competition has created soft markets which will continue for the foreseeable future.

“The introduction of new underwriting management agencies (UMAs) has seen a turn in the marine market. It’s now a matter of offering the best terms in the market to get the business since the rates are very low in order to remain competitive. It’s definitely a buyer’s market. Cargo owners can still obtain wider coverage, reduced deductibles and higher limits at the same or even lower premiums than a year ago. In an effort to maintain their premium income, underwriters have also broadened their scope of products on offer. Stock throughputs have continued to prove popular with the boundaries being pushed even to include additional risks such as retail exposures,” explains Jefferson.

“However, purchasing marine covers purely on price in an environment where the risks are more complex has its pitfalls. The soundness of the underwriter and most importantly, their ability to meet a claim as well as other factors, should be taken into account. There is the added problem of a shortage of expertise in the local market and increased competition for available business, all of which adds up to a scenario whereby marine rates should be judged circumspectly and with expert advice.”

**Decreasing Risks in Africa Drive Trade Boom**

For 2013, Aon's Political Risk Map shows an increase in the number of countries with upgraded political risk ratings, where the overall country or territory risk is rated lower than the previous year.   Thirteen countries were upgraded in 2013 as opposed to just three in 2012. The 2013 map also shows that only 12 countries experiencing downgrades in comparison to 21 in 2012. However aftershocks in Western Africa remain andCameroon, Chad, and Mali all were downgraded, along with adjoining Algeria, reflecting the spill overs from the difficult regime changes in North Africa which destabilised these countries.

“The reality is that while the risk environment has improved in some regions, businesses operating in emerging markets still face significant political risks. We work closely with our clients to identify their exposures to these risks and ensure that we have an appropriate risk mitigation strategy in place,” says Jefferson.

“But many of these risks are localised and contained, and on the upside there are a number of African countries that are undergoing rapid reconstruction and development. In sub-Saharan Africa, Angola is going through a reconstruction phase and has experienced massive infrastructure development over the last ten years. Huge capital equipment and building materials continue to flow into the country. Similar trends can be observed in the DRC, Zambia, Mozambique, Tanzania, Kenya and Uganda. Many of these countries have issued mining rights to foreign companies, resulting in the massive exploration of mineral resources such as copper and cobalt in Zambia and the DRC.

“Insurance products most in demand are cargo and local goods in transit policies, largely due to the huge amount of project development taking place in Africa. Clients are also requiring project delay cover which is linked to a marine cargo policy, providing cover in the event that the project does not reach the start-up date set out in the contract due to cargo being delayed,” explains Jefferson

There is also the expectation that a new insurance solution will emerge to provide for the needs of freight forwarders/bailees that provide a transport service to their clients. Previously, forwarders/bailees were able to on-sell insurance cover to their clients without having to be registered as a financial services provider (FSP), however according to a Financial Services Board directive, they are no longer able to provide this service if they are not a registered FSP. The challenge to the marine insurance market is to now develop a product that covers the forwarder/bailee and the client’s goods without contravening the provisions of the FSB directive.

“The perception that trade with Africa is fraught with pitfalls is wrong. Granted that it is not without its challenges and there needs to be a real affinity with trade in African markets and a thorough understanding of the intricacies of risk and insurance in those markets. But it’s by no means impossible. Trade and opportunity in Africa is burgeoning and businesses with a healthy risk-reward appetite will reap the benefits of being first to do business in the next economic superpower provided they take the right precautions,” concludes Jefferson.

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**About Aon South Africa**

Aon  South  Africa  is  a  leading  provider  of  risk management services, insurance   and   reinsurance   brokerage,  human  capital  and  management consulting, and speciality insurance underwriting. The company employs more than 1300 professionals in its 16 offices in South Africa with its head office in Sandton Johannesburg. Aon employs over 1800 people on the African continent.

**About Aon**

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