



## Insurance in Burkina Faso

### Introduction

The insurance market in Burkina Faso was liberalised in 1978. Before that, the only insurance company operating in the local market was the state-owned SONAR. Then two others progressively gained market share: UAB and AGF. It is only since the 90s that the market really opened up with the arrival of three other companies

There are now eleven insurance brokers and 34 general agents. The profession has not been well regulated or supervised and suffers from a failing code of ethics. There are some brokers who do not forward premiums. Furthermore, there is the problem with credibility of boutique intermediaries and agents.

### The Market

There are ten insurance companies operating in Burkina Faso: four Life and six non-Life. According to the FANAF (Fédération des Sociétés d'Assurances de Droit National Africaines – Federation of African Insurance Companies – an international body for insurance companies with the objective of defending the general interests of member companies while coordinating the activities of its members on the one hand, and facilitating and developing cooperation between member companies on the other hand. Founded in 1976, it comprises 136 insurance and reinsurance companies and a guarantee fund. The FANAF is present in 26 countries), total premiums generated in 2007 were FCFA 25 billion (FCFA 17 billion non-Life and \$8 billion Life). This turnover figure was 24% higher than the previous year. (*Editor's Note: this unit of currency, also known as the West African Franc is pegged to the Euro at 655.957 per €1*)

This increase relates mainly to Life business which profited from relaxation of tax laws on their products in 2007.

The non-Life sector is dominated by Motor business (50%); the rest is mainly Fire, other Property Damage and Personal Accident.

By the 31<sup>st</sup> December 2007 total assets of all insurers amounted to FCFA 71.5 billion and written premiums of FCFA 26.5 billion. Insurance penetration within the population was only 0.77% in 2007 (about half of Cote d'Ivoire [1.6%] and Senegal [1.3%]). Average premium per head of the population was FCFA 1689 while in Cote d'Ivoire, Senegal and Cameroon it was 7900, 5700 and 5800 respectively and about 16 times less than the average for all of Africa.

The current situation presents a rather mixed financial picture. Three companies are in trouble with one quite a bit worse than the other two. The state is a shareholder in two companies. Arrears in non-Life premiums exceed FCFA 17 billion i.e. more than the total premiums written in the market during the previous year. Compulsory classes are poorly implemented; more than 40% of drivers in the country are uninsured. Also, in this branch, tariff premiums are between 14-29% below break-even. The Guarantee Fund which was established and signed into effect earlier this year does not yet operate.

### Legislation

Along with the fifteen other members, the insurance sector in Burkina Faso is regulated by the Conférence Interafricaine des Marchés d'Assurance, CIMA (Inter-African Conference on Insurance Markets [http://info.worldbank.org/etools/docs/library/157491/contractual2003/pdf/day2/ses1\\_moutassi.pdf](http://info.worldbank.org/etools/docs/library/157491/contractual2003/pdf/day2/ses1_moutassi.pdf)) which administers the different codes in force in member countries.

CIMA is charged with the approval, withdrawal and the supervision of insurance companies. This takes place on the basis of agreement and acceptance of certain administrative rules and regulations.

The CIMA also organises the contributions and posts, amongst other things, the compulsory cessions of appropriate risks which are to be reinsured with the two reinsurers: Africa Re and CICA Re.

All placements of retail business outside Burkina Faso (non-admitted) are forbidden. There are no reinsurance companies established in Burkina Faso and therefore facultative sessions end up with Scor, Swiss Re, Zurich, etc.

There is a National Insurance Directorate within CIMA which is responsible for managing supervision issues within the market of each country.

Conclusion
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Burkina Faso is an emerging market and struggles with being a relatively inaccessible and poor country. It must interact with its neighbours in order to give its citizens a chance to develop and improve their way of life. The insurance industry affects most people in various aspects of their private and professional lives. As the world gets smaller and the international community creates and implements better ways to help countries like Burkina Faso, more sophisticated insurance products will become available locally and these will augment the quality of life of the Burkinabe.