MILLIMAN REPORT

Life insurance capital regimes and disclosures in Africa

Comparative analysis of capital regimes

Additional analysis of IFRS 17, climate-related risk management and sustainability disclosures

Summary report

February 2025

1. Summary of key areas across countries in scope

In recent years, there has been a shift towards the adoption of risk-based supervision (RBS) and risk-based capital (RBC) frameworks across sub-Saharan Africa. Our analysis of six countries within the region (namely South Africa, Kenya, Botswana, Namibia, Ghana and Nigeria) revealed varied stages of implementation and adoption of these frameworks.

Of the countries examined, Namibia, Ghana, and Nigeria are currently not utilising an RBC framework. However, Namibia has taken steps towards the implementation of RBS by issuing draft regulations aimed at its introduction.

The move towards RBS and RBC frameworks is indicative of a broader trend within the region to enhance financial stability and regulatory oversight. This demonstrates a commitment among regulators to aligning with international best practices in financial supervision and capital adequacy.

In this paper, we provide a summary of some key areas of the technical specifications of regulatory capital frameworks for the countries considered. We also provide an overview of the implementation of IFRS 17 and IFRS sustainability standards (S1 and S2), and related disclosures.

1.1 OVERVIEW OF CAPITAL AND BROADER REGULATORY REGIMES

Most of the regulatory regimes considered in this paper require policyholder liabilities to be calculated as the best estimate liabilities (BEL) plus some form of risk or prudential margin.

The BEL is typically derived using a gross premium valuation (GPV) approach, based on best estimate assumptions. In Botswana and Namibia, policyholder liabilities may be further increased through the application of discretionary margins, in addition to the compulsory prudential margins.

In some markets, insurers are also required to explicitly allow for the cost of options and guarantees to reflect the impact of embedded derivatives (e.g., guarantees of minimum investment returns, surrender options or options for policyholders to reduce or extend coverage).

Table 1.1 provides an overview of the regulatory capital regimes for each country.

TABLE 1.1 – OVERVIEW OF THE CAPITAL REGIMES UNDER COMPARISON

MARKET	APPROACH TO DETERMINE CAPITAL REQUIREMENT	MINIMUM CAPITAL AMOUNT	ASSET BASIS	POLICYHOLDER LIABILITY BASIS	MARGINS	LIABILITY FLOOR
SOUTH AFRICA	Risk-based	The absolute floor of the Minimum Capital Requirement is the higher of: ▪ ZAR 15 million (ZAR 30 million for composite reinsurers, ZAR 4 million for microinsurers) ▪ 25% of the annualised operating expenses of the preceding 12 months	Market-consistent basis. IFRS fair value permitted, unless specified otherwise in the regulation.	Best estimate liabilities plus a risk margin.	Determined using a cost of capital approach on non-hedgeable SCR, with a cost of capital rate of 6%.	None
KENYA	Risk-based	Minimum of KES 400 million is required as share capital.	Market-consistent basis.	IFRS 17 basis.	IFRS 17 risk adjustment and contractual service margin applies.	None
BOTSWANA	Risk-based	The higher of BWP 10 million or 25% of operating expenses estimated for the following year.	Fair value, unless specified otherwise in the regulations.	Best estimate liabilities plus compulsory margins. Discretionary margins may also be included.	Compulsory margins apply. Discretionary margins may additionally be included.	None
NAMIBIA (under review)	NAD amount based on the classes of business written.	Paid-up share capital based on the classes of business written, as follows: ▪ NAD 100,000 (insurers operating funeral insurance only) ▪ NAD 1 million (insurers operating one class only) ▪ NAD 4 million (insurers operating more than one class) ▪ NAD 5 million (reinsurers operating one class only) ▪ NAD 10 million (reinsurers operating more than one class)	Any basis considered by its valuator to be the most reasonable.	Any reasonable valuation basis considered by the valuator to be actuarially sound, guided by generally accepted actuarial standards and principles.	Implicitly allowed but no particular method prescribed.	Negative policy liabilities must be zeroised at a policy level.

TABLE 1.1 – OVERVIEW OF THE CAPITAL REGIMES UNDER COMPARISON

MARKET	APPROACH TO DETERMINE CAPITAL REQUIREMENT	MINIMUM CAPITAL AMOUNT	ASSET BASIS	POLICYHOLDER LIABILITY BASIS	MARGINS	LIABILITY FLOOR
GHANA	Function of volumes (with risk weight differentiation by line of business), expenses and currency amount.	GHS 50 million for insurers and GHS 125 million for reinsurers (fixed nominal amount of share capital).	IFRS basis.	Best estimate liabilities plus compulsory margins and discretionary margins.	Compulsory margins apply. These margins are specified by product type rather than assumption and are calculated as a percentage of net written premium.	None
NIGERIA	Function of premiums subject to minimum paid-up share capital.	The higher of 15% of premiums (net of reinsurance) and a minimum capital requirement (currently under review) as follows: ▪ Life insurance business: NGN 2 billion ▪ General insurance business: NGN 3 billion ▪ Composite insurance business: NGN 5 billion ▪ Reinsurance business: NGN 10 billion	IFRS basis.	IFRS 17 basis plus a contingency reserve.	IFRS 17 risk adjustment and contractual service margin applies. The contingency reserve is a function of premiums and profit and capped at a currency amount.	None

1.2 SUMMARY OF IFRS 17 IMPLEMENTATION STATUS

The table below summarises the extent to which IFRS 17 has been implemented within each of the countries considered.

TABLE 1.2 – IFRS 17 IMPLEMENTATION ACROSS MARKETS CONSIDERED

MARKET	STATUS OF IFRS 17 IMPLEMENTATION
SOUTH AFRICA	▪ Most South African insurers met the 1 January 2023 deadline and published IFRS 17-compliant financial statements for their 2023 (and 2024) year-ends. ▪ Industry practice is still developing as trends emerge relating to accounting policy choices made. Some areas of focus we have seen recently include: ▪ Updating key performance indicators and key risk indicators following IFRS 17 implementation ▪ Revisiting IFRS 17 actuarial modelling software to improve efficiency ▪ Automating production of disclosures and refining analysis of surplus ▪ Portfolio grouping optimisation ▪ Reconsidering directly attributable versus non-directly attributable expenses
KENYA	The Insurance Regulatory Authority (IRA) in Kenya implemented IFRS 17 effective 1 January 2023. However, small- to medium-sized insurers were still struggling with implementation in 2023, due to high costs, including those for accounting software and actuarial systems, as well as a shortage of actuaries with the required level of IFRS 17 expertise.
BOTSWANA	Currently, IFRS 17 has been implemented mostly by larger insurers which are subsidiaries of international groups.
NAMIBIA	During the 2023/24 fiscal year, the Namibia Financial Institutions Supervisory Authority (NAMFISA) had placed focus on capacity building relating to IFRS 17 implementation, as well as looking to align IFRS 17 reporting with prudential supervisory reporting. Key focus areas related to IFRS 17 for the next year include continuing to build required capacity for IFRS 17 implementation, as well as updating regulatory reporting templates and key performance indicators to be adopted under IFRS 17.
GHANA	In July 2023, the Institute of Chartered Accountants Ghana (ICAG) approved the adoption of IFRS 17, with full implementation required for reporting periods from 1 January 2023.
NIGERIA	Nigeria's National Insurance Commission (NAICOM) originally targeted the 1 January 2023 deadline for full IFRS 17 implementation. However, this has been extended multiple times, most recently to 30 June 2024. Many insurers are still struggling to make the transition, primarily due to a shortage of actuaries and auditors familiar with the standard.

1.3 SUMMARY OF CLIMATE-RELATED RISK AND SUSTAINABILITY DISCLOSURES IN AFRICA

Two new regulatory areas that have emerged in recent years are climate-related risk management and sustainability disclosures. We reviewed the adoption of relevant regulations across the countries considered.

In June 2023, the International Sustainability Standards Board (ISSB) published IFRS S1, *General Requirements for Disclosure of Sustainability-related Financial Information*,[1] and IFRS S2, *Climate-related Disclosures*.[2] These standards fully incorporate the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). The standards apply to annual reporting periods beginning on or after 1 January 2024, but implementation timelines vary by country based on local legislation.

Most regulatory developments in Africa on climate-related risk management are focused on the banking sector. However, an increasing number of countries are committing to sustainability and climate-related disclosure requirements.

Table 1.3 below summarises the status of IFRS S1 and S2 adoption in each of the countries considered.

1. IFRS (2023). IFRS S1 IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information. Retrieved 29 January 2025 from https://www.ifrs.org/issued-standards/ifrs-sustainability-standards-navigator/ifrs-s1-general-requirements/#about.
2. IFRS (2023). IFRS S2 Climate-related Disclosures. Retrieved 29 January 2025 from https://www.ifrs.org/issued-standards/ifrs-sustainability-standards-navigator/ifrs-s2-climate-related-disclosures/#standard.

TABLE 1.3 – IFRS S1 AND S2 IMPLEMENTATION ACROSS MARKETS CONSIDERED

MARKET	STATUS OF IFRS S1 AND S2 IMPLEMENTATION
SOUTH AFRICA	Compliance with IFRS S1 and S2 is not currently mandatory in South Africa. However, the South African Institute of Chartered Accountants (SAICA) has urged companies to consider adopting the disclosure standards on a voluntary basis. South Africa's Prudential Authority (PA) has released notices providing guidance to insurers regarding climate-related disclosures as well as climate-related governance and risk practices. While guidance notices are not legally binding, they indicate that the regulator is giving greater consideration to climate-related risks, and the guidance is expected to become mandatory in the future.
KENYA	Although not yet mandatory for insurers in Kenya, regulatory authorities have signalled the intent to adopt IFRS S1 and S2. The Nairobi Securities Exchange (NSE) launched an ESG Disclosures Guidance Manual to guide reporting by listed entities in November 2021. However, it remains a recommendation rather than a listing requirement.
BOTSWANA	Compliance with IFRS S1 and S2 is not a legal requirement under the Companies Act of 2003, but some companies are adopting the standards on a voluntary basis. The Non-Bank Financial Institutions Regulatory Authority (NBFIRA) has not yet published any regulation relating to climate-related risk management or sustainability disclosures.
NAMIBIA	The Institute of Chartered Accountants of Namibia (ICAN) is the official standard-setting body in Namibia. ICAN has mandated the use of IFRS for financial reporting, but it is unclear whether S1 and S2 disclosures will become a regulatory requirement. At the time of writing, there was no specific regulation or guidance for the financial services industry. However, the Bank of Namibia joined the Network for Greening the Financial System (NGFS) in December 2023, indicating its commitment to advancing climate risk management in the financial sector globally.
GHANA	The Institute of Chartered Accountants Ghana (ICAG) has published a road map for the adoption of IFRS S1 and S2, with compliance becoming mandatory from 1 January 2027. The Bank of Ghana (BOG), the regulatory body for financial institutions, has stated that all regulated financial institutions will be required to make disclosures in line with IFRS S1 and S2, as well as any other widely accepted international standards regarding climate and sustainability.
NIGERIA	Nigeria has adopted a phased approach to the implementation of IFRS S1 and S2 for nongovernment entities, with full mandatory implementation commencing from 1 January 2028.

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