

INTERVIEW

AIG targets to shape insurance industry

AIG Uganda is the biggest insurance company in Uganda. It is part of the New York based \$800b American International Group. *Business & Finance's* Muhereza Kyamutetera, talked to Mr Alex Wanjohi, AIG Uganda Managing Director, about Uganda's insurance industry.

What is the position of AIG Uganda?

AIG Uganda is a subsidiary of AIG international. In 2004, we turned over, Shs18.5 billion in premiums and have a market share of about 23 percent. We are also the market leader in terms of premium volume. Last year, we won several awards of excellence from the insurance brokers association. We were voted the Insurance Company of the year and also the number one company in claims settlement efficiency. We are also leaders in service delivery, and product development. These are attributes that have been given to us by peers in the insurance brokers. Since the broker is the representative of the insurance consumer, we believe this is what the consumers think about us. In Uganda, we are the only international company in the insurance industry; most of the others are local and some are from the neighbouring countries.

Most players are offering conventional products like third party, motor, fire etc. Is AIG any different?

Yes we are different. Other than the conventional products, AIG is the only company that offers a sabotage and terrorism cover. The market is complacent because we think we are in the third world, we can't be attacked. But look what has happened in Kenya and Tanzania. Kenya has been attacked three times. Even in Uganda, we had a lot of bombs going off in the 90s and all these are disasters not covered by a normal insurance policy. This cover is ideal for multinational companies, communication facilities, oil and energy installations, airlines, big hotels, airports, government buildings and all other areas or facilities that are of international recognition.

Another product that we pride ourselves in is international travel cover. This is a product, which responds to our consumers needs on the international arena whenever they are travelling. As long as you got an AIG travel plan, we give you a card with a number you can call in case of an emergency anywhere in the world. This has got a personal accident as well as baggage cover. We have pioneered the manager's liability cover. This goes beyond the professional liability



FAIR COMPETITION: Mr Wanjohi. Photo by Wandera Ojumbo

insurance cover in the market. It covers managers and shareholders of entities and businesses, trustee fund managers and other managers against liabilities that could arise out of their decisions. That liability may come from court action by any of the stakeholders, even the employees after a layoff. This is a product that AIG has pioneered not only in Uganda but also throughout the world.

You said AIG was doing life insurance in the 70s but has since abandoned it. Why did it drop from your product portfolio?

Yes, we used to do life insurance before the 80's. Life is of course hinged on a stable currency. After the 80s, the problems in Uganda were such that you could not offer somebody a benefit in ten years that was calculated properly. The Shilling has been so volatile. Life insurance is about giving an undertaking that in return of such an amount of premium, I will give you this amount in a period of time and with a volatile currency, you can not predict with ease, making it difficult to give an undertaking on any

amount. But this is not to say we shall not do it in the future.

What is the competition in Uganda like?

We welcome fair competition based on services but not prices. There are a lot of markets elsewhere in the world that have had sad misfortunes due to competition on price basis. We believe that it is high time we looked at some price regulation in insurance not as a cartel but to ensure that the proper prices are being paid for the amount of risk being taken on by the industry.

This pricing issue arises because of ignorance about the industry. If you look at the procurement rules being applied in Uganda now, they are more geared at the cheapest supplier

er. This is wrong because the cheapest supplier may not be the best supplier, you do not go to a shop and ask for the cheapest shirt. You instead ask for a good shirt and if you cannot afford, then you settle for the next best shirt. But in Uganda, customers want to settle for the cheapest. Because of poor pricing, we have companies that are running into financial trouble.

What are you doing creating more awareness in the country?

We as an industry are jointly running informational campaigns in the media and somehow, we have broken through. But this has not been enough because of the poor funding allocated to this cause. We still need more as an industry. Yes we are addressing the ignorance, but we are not addressing it enough.

What are some of the challenges faced by the industry?

There is still a gap in the implementation of the insurance laws. Whereas the law provides that all property and life of Uganda, must be covered by a Ugandan registered insurance company, you find that because of the ignorance, and lack of full enforcement of the law, people buy insurance with overseas providers. The area where this is rampant is in overseas funded projects and multinational businesses that insure in their home countries. It is not proper for them to say that the Ugandan market is immature because we have quite some serious players.

Another thorny area is in marine cargo insurance. Still the law requires all Ugandan-destined goods to obtain cover from Ugandan registered companies but sometimes you find that organisations and individuals acquire covers for these goods from abroad. I think the enforcement is not strong enough. We want to bring that to the attention of the government because in the end it will rejuvenate the insurance industry here, and our financial markets will be fired up. People in charge of monitoring goods and services entering Uganda and the customs people should insist on seeing a Ugandan registered insurance cover for any goods and services entering Uganda. If this were dealt with, we think that the market instead of growing at the average 22 percent would grow to between 30 to 35 percent.

The other area is motor third party cover that is limited in scope. We believe this should be extended to cover property damage as it is done in neighbouring countries. Other challenges include increasing levels of fraud especially in organisations and poor distribution channels.

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