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BREAKING NEWS ALERT

Casablanca hub gathers momentum as Africa reinsurance rises

Thirty insurers and other financial services firms have opened for business at Casablanca Finance city, Morocco's recently-launched regional financial centre, and the Africa-focused finance hub hopes to attract more new entrants in the weeks to come, its chief executive said.

"The CFC is operational today - we have already 30 companies that have set up shop in Casablanca within all sectors," CFC CEO Said Ibrahim told a round-table event organised by The Insurance Insider on 12 November in London.

"From the insurance sector, we have at least four commitments."

One of CFC's objectives is to establish itself as a gateway for international (re)insurers seeking a foothold in the African insurance market, tipped for strong growth as the continent undergoes rapid economic expansion.

Africa's accelerating economic growth is driven in part by strong demand for natural resources and by increasing investment in new infrastructure projects, which is in turn driving demand for insurance. Some African countries have also benefited in recent years from greater political stability, encouraging insurers including South African carrier Old Mutual to invest in the continent.

Africa generates annual insurance premiums of at least \$68bn, of which around ten percent is ceded to reinsurers, according to CFC statistics.

Over 60 percent of the total insurance premium relates to life policies, while non-life risks account for over 80 percent of the reinsured risks. Major non-life risks covered include fire, casualty, property, engineering risks and transportation.

"Excluding the comparatively mature South African market, insurance penetration across the continent remains low at just 1.7 percent of gross domestic product, lagging behind the global average of seven percent." "However, this can increase to over 5 percent given the major GDP growth potential in Africa," Najwa El Iraki, head of business development at CFC said.

Under a streamlined application process, foreign reinsurers can gain approval to operate at CFC within 45 days, provided underwriters hold the minimum required capital of circa \$6mn, CFC said.

Businesses operating at the centre are charged no tax on their offshore turnover for five years, after which they pay a rate of 8.75 percent, while their employees pay income tax of 20 percent for five years, CFC said.

Mounir Kabban of United Insurance Brokers, who places African insurance business at Lloyd's, said new offshore centres were increasingly enjoying a cost advantage over established insurance hubs such as London.

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