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COVID-19 & THE IMPACT ON TOURISM

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Tourism is one of the most important economic sectors in Sub Saharan Africa (SSA). The World Bank Tourism in Africa Report (2013) estimated that receipts from tourism could exceed US\$100 billion by 2020. Tourism's main comparative advantage over other sectors is that visitor expenditures have a "flow-through" or catalytic effect across the economy in terms of production and employment

creation. The World Bank noted that Sub-Saharan Africa (SSA) could be on the cusp of an economic takeoff, much like China was about 30 years ago. SSA is estimated to have attracted over 120 million visitors in 2020 from a small base of just 6.7 million visitors in 1990. When you speak of the best tourist destinations and attractions in Africa, there are thousands that are beautiful and amazing across all African countries.

Looking at the above estimates however, it is yet to be ascertained whether these figures will be achievable following the outbreak of the COVID-19 pandemic. The tourism industry is amongst the economic sectors which has been hit the hardest by the COVID-19 pandemic and subsequent lockdown measures as its operations are at the mercy of the movement of people both nationally and internationally. The World Tourism Organization (UNWTO, 2020) reported that it expected the COVID-19 pandemic to cause a drop in the world's tourism of between US\$300 and US\$450 billion; the equivalent of a 20%-30% drop. In SSA, we are anticipating a drop in tourism of about 20% as apart from domestic and regional tourism, most of the country's international tourists come from Europe, USA, China, and the UK. Most of these countries are hit the hardest by the virus and with the travel ban policy measures in place, it might take even longer before SSA can start receiving tourists again.

It is expected that standard hospitality rates in the industry will drop significantly during and after the lockdown, and that the performance of hotels and restaurants will slow down substantially. Hotels and restaurants in SSA contributed an average of 5% GDP over the last 5 years. This contribution will keep decreasing, and the impact will worsen, depending on the evolution of the



virus on the African continent and the world. Furthermore, even if the virus is brought under control very rapidly, recovery is expected to be slow, especially due to the post-virus fear of socializing, vacationing, flying, and attending large gatherings.

NEED FOR INSURANCE PROTECTION IN THE TOURISM SECTOR

Insurance is an integral part of a risk management process in the tourism sector. Just as a business needs to develop an emergency response plan, a media plan, and a health and safety plan, it also needs to develop an insurance plan. The insurance plan will determine which assets, hazards and/or liabilities in the tourism sector are insurable and should be insured. The insurance plan will also determine how much of the assets and hazards will be covered through an insurance policy and how much will be self-insured. Insurance will not make the tourism sector activities safer and will neither reduce possibility of, nor stop incidents or pandemics from happening. Insurance is usually part of the post-incident component of the risk management process. Insurance might play a major part of the recovery process, but only to the extent and scope of the insurance protection plan that the tourism business has put in place.

The main purpose of insurance is to give clients peace of mind when it comes to crisis and distress. It is therefore important to develop strategies to best handle a crisis both from a customer and from a wider stakeholders' perspective; from empathy to speedy approval of insured losses/claims.

With the above being said, SSA's performance within the Insurance sector is currently facing an obstinately challenging economic crisis, which is further compounded by the COVID-19 Pandemic. Despite the challenges in the industry, insurance companies are expected to remain resilient due to strong sector dynamics, a relatively high insurance density, penetration and reinsurance capital relief and flexible financing.

Many specialty insurers operating in the long-tail businesses will wait to assess the true impact of the COVID-19 pandemic. Looking at various coverage areas however, they will already start feeling the impact. Travel policies for example, might start paying for expenses incurred as a result of being quarantined while aboard or when returning to one's home country. Not only the expenses of a potential repatriation, but also the costs incurred while waiting for such a repatriation to occur can quickly become considerable.

The overall insurance industry has been hit hard from direct and indirect losses resulting from the COVID-19 pandemic. Moreover, the overall reputation of insurers is taking a further battering as consumers and businesses come to terms with the fact that most insurance policies do not cover pandemics. Although the pandemic seems under control in SSA, the insurance industry should really be asking itself what lessons can be learnt from this uncommon situation, how things can improve and how it can adapt to the New Normal.

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