

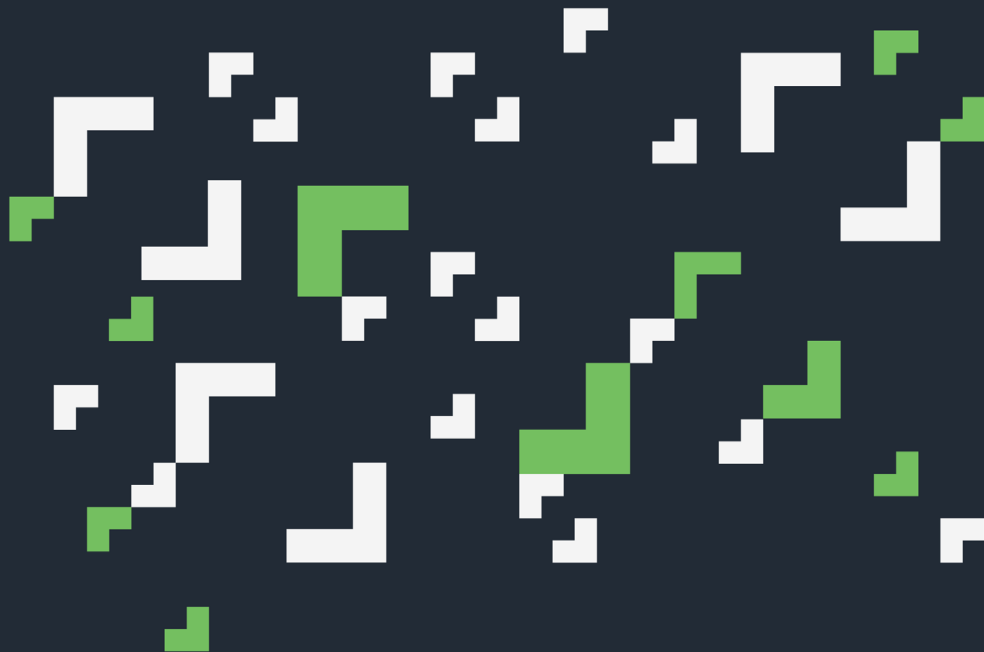
MILLIMAN REPORT

Life insurance capital regimes in Africa

Summary analysis of capital regimes

February 2026

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1 Overview of capital regimes and developments

This is the second edition of the Milliman Capital Regimes in Africa summary report,¹ which provides a summary view of the prudential regulatory requirements and developments for life insurers operating in eight countries across Africa. This second edition has expanded the scope of countries to include Mauritius and Uganda alongside the countries included in the first edition: Botswana, Ghana, Kenya, Namibia, Nigeria, and South Africa.

In recent years, there has been a shift toward the adoption of risk-based supervision (RBS) and risk-based capital (RBC) frameworks across sub-Saharan Africa. Our analysis of eight countries within the region revealed varied stages of implementation and adoption of these frameworks.

All countries examined currently use an RBC framework, except for Ghana, Namibia, and Nigeria. However, each of these three countries is in the process of implementing an RBC framework.

The move toward 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 for each of the countries considered an overview of:

- Regulatory capital developments in 2025
- Some key areas of the technical specifications of regulatory capital frameworks
- IFRS 17 adjustments for solvency reporting

1.1 OVERVIEW OF REGULATORY CAPITAL DEVELOPMENTS

In 2025 there have been notable regulatory capital developments in Namibia, Nigeria, and Uganda as summarised in the table below:

FIGURE 1 – OVERVIEW OF REGULATORY CAPITAL DEVELOPMENTS BY COUNTRY

ITEM	OBSERVATIONS
NAMIBIA	<p>The regulation currently in place is the Long-term Insurance Act of 1998 which will be repealed by the Financial Institutions and Markets Act of 2021 (FIMA) once FIMA comes into force. FIMA was promulgated in October 2021, but the implementation was only approved in November 2025 by the Namibian Minister of Finance and Public Enterprises. The main reason for the delay was the contentious retirement fund preservation rules which have now been excluded.² The effective date of FIMA is still to be confirmed, but is expected by March 2026. Certain parts of FIMA are expected to have an implementation period to allow regulated entities time to comply with the new requirements.</p> <p>FIMA will be supported by subordinated legislation in the form of standards that contain additional detail. This includes introducing risk-based capital requirements.</p>
NIGERIA	<p>The Nigerian Insurance Industry Reform Act, 2025 (NIIRA)³ was enacted on 31 July 2025.</p> <ul style="list-style-type: none"> ▪ NIIRA is a significant overhaul of the Nigerian insurance legislation replacing several outdated laws (including the Insurance Act of 2003) with a consolidated insurance framework. ▪ This includes an increase in the minimum capital requirements and the introduction of RBC requirements which are set by the National Insurance Commission NAICOM. The RBC requirements were still being finalised at the time of drafting this report. ▪ Concerns have been raised on whether Nigerian (re)insurers will be able to comply with the new minimum capital requirements within the 12-month implementation period (i.e. by 31 July 2026)⁴ and that there will likely be an increase in merger and acquisition activity in the market.⁵

1. The first edition, Milliman Capital Regimes and Disclosures in Africa report, covered other areas. For the second edition, each area has been covered in a separate report.

2. Lazarus, S. (November 2025). Finance minister approves Fima roll-out, scraps retirement fund preservation rule. The Namibian. Retrieved 21 December 2025 from: <https://www.namibian.com.na/finance-minister-approves-fima-roll-out-scraps-retirement-fund-preservation-rule/>

3. Nigerian Insurance Industry Reform Act, 2025. Retrieved 25 November 2025 from: <https://naicom.gov.ng/wp-content/uploads/2025/08/NIIRA-2025.pdf>

4. Recapitalization Circular – NIIRA 2025. Retrieved 25 November 2025 from: <https://naicom.gov.ng/wp-content/uploads/2025/08/NAICOMs-Recapitalisation-Circular-NIIRA-2025.docx>

5. Cooney, P. (September 2025). Nigerian insurance sector faces shake-up as recapitalisation deadline looms. Africa Ahead. Retrieved 21 December 2025 from: <https://afahpublishing.com/nigerian-insurance-sector-faces-shake-up-as-recapitalisation-deadline-looms/>

ITEM	OBSERVATIONS
UGANDA	The Insurance (Capital Adequacy and Prudential Requirements) Regulations of 2025 ⁶ provide detail on the regulatory solvency basis and were updated in August 2025 to reflect the alignment of the Ugandan regulatory basis to IFRS 17. The Ugandan Insurance Regulatory Authority (IRA) has also issued guidance about the application of IFRS 17 for regulatory reporting via various circulars.

1.2 OVERVIEW OF CAPITAL REGIMES IN SUB-SAHARAN AFRICA

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. More recently, many of the regulatory regimes have adopted IFRS 17 as the regulatory policyholder liability valuation basis.

The BEL is typically derived using a gross premium valuation (GPV) approach, based on best estimate assumptions. In 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).

The following table provides an overview of the regulatory capital regimes for each country:

6. The Insurance (Capital Adequacy and Prudential Requirements) Regulations of 2025. Retrieved 1 November 2025 from: <https://ira.go.ug/2025-regulations/#>

FIGURE 2 – OVERVIEW OF THE CAPITAL REGIMES PER COUNTRY

MARKET	APPROACH TO DETERMINE CAPITAL REQUIREMENT	MINIMUM CAPITAL AMOUNT	ASSET VALUATION BASIS	POLICYHOLDER LIABILITY BASIS
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	IFRS 17 as per NBFIRA guidance note "IFRS 17 Guidance Note for Insurers and Reinsurers," dated 4 March 2024. The Guidance Note sets out additional regulatory requirements relating to IFRS 17 including the risk adjustment (RA) confidence level and discount rate used.
GHANA	Function of volumes (with risk weight differentiation by line of business), expenses and currency amount. A new risk-based capital (RBC) approach is planned for rollout in 2026.	<ul style="list-style-type: none"> ▪ Insurers: GHS 50 million ▪ Reinsurers: GHS 125 million 	IFRS	IFRS 17, but it is unclear on whether there are any adjustments for solvency purposes.
KENYA	Risk-based	The Minimum Capital Requirement for life insurers in Kenya is the higher of: <ul style="list-style-type: none"> ▪ KES 400 million ▪ Risk-based capital requirement ▪ 5% of liabilities 	Market-consistent basis	IFRS 17 as per Circular No. IC 01/2024, dated 18 March 2024. The Circular sets out additional regulatory requirements relating to IFRS 17, including the RA confidence level.
MAURITIUS	Risk-based	The higher of MUR 25 million or 13 weeks of operating expenses	IFRS values are used which are either measured at fair value, amortised cost, or accrued with interest.	IFRS 17 The Solvency Rules were recently (September 2024) revised to align to IFRS 17. The Solvency Rules include principles for the valuation of policyholder liabilities. These are in line with the IFRS 17 standard, except for the discount rate and treatment of non-attributable expenses.
NAMIBIA	NAD amount based on the classes of business written. Roll-out of RBC dependent on FIMA implementation.	Paid-up share capital based on the classes of business written, as follows: <ul style="list-style-type: none"> ▪ 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. Negative policy liabilities must be zeroised at a policy level.

MARKET	APPROACH TO DETERMINE CAPITAL REQUIREMENT	MINIMUM CAPITAL AMOUNT	ASSET VALUATION BASIS	POLICYHOLDER LIABILITY BASIS
NIGERIA	Risk-based The Nigerian Insurance Industry Reform Act, 2025 (NIIRA) was enacted on 31 July 2025. NIIRA includes the introduction of risk-based capital requirements which were still being finalised at the time of drafting this report.	<ul style="list-style-type: none"> ▪ Life insurance business: NGN 10 billion ▪ Reinsurance business: NGN 35 billion 	IFRS basis	Section 21 and 22 of NIIRA makes provision for NAICOM to determine the valuation basis. The requirements were still being finalised at the time of drafting this report.
SOUTH AFRICA	Risk-based	<p>The absolute floor of the minimum capital requirement is the higher of:</p> <ul style="list-style-type: none"> ▪ 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 	<p>Market-consistent basis</p> <p>IFRS fair value permitted, unless specified otherwise in the regulation</p>	Best estimate liabilities plus a risk margin
UGANDA	Risk-based	<ul style="list-style-type: none"> ▪ Life insurers: UGX 4.5 billion ▪ Life reinsurers: UGX 6 billion 	IFRS values are used which are either at fair value or amortised cost	IFRS 17, but the Ugandan Insurance Regulatory Authority (IRA) has issued guidance about the application of IFRS 17 for regulatory reporting via various circulars.

1.3 OVERVIEW OF IFRS 17 ADJUSTMENTS FOR SOLVENCY REPORTING

As seen in the previous section, many of the countries considered in this paper use IFRS 17 as the policyholder liability valuation basis for solvency purposes. There are certain adjustments that should be considered when using IFRS 17 for solvency purposes. Additional IFRS 17 adjustments have been prescribed by some regulators. These adjustments are discussed in the table below:

FIGURE 3 – OVERVIEW OF IFRS 17 ADJUSTMENTS FOR SOLVENCY PURPOSES

ITEM	OBSERVATIONS
CONTRACTUAL SERVICE MARGIN (CSM)	<p>Where IFRS 17 is used as the regulatory basis, the CSM, which represents future profits, should arguably be available as capital, i.e., the CSM net of tax could be removed from liabilities when determining available capital. There are a range of treatments of the CSM across the countries in scope of this paper that use IFRS 17 as the regulatory basis:</p> <ul style="list-style-type: none"> ▪ Kenya's and Botswana's regulators have not confirmed the treatment of the CSM. ▪ Mauritius allows for the full CSM to be available for capital. ▪ Uganda only allows 20% of the CSM to be available for capital.
NON-ATTRIBUTABLE EXPENSES	<p>Only directly attributable expenses are considered under IFRS 17, while some or all the non-attributable expenses could be considered appropriate to include for solvency reporting.</p> <p>For the countries in scope of this paper that use IFRS 17 as the regulatory basis, neither the regulations nor any additional communication from the regulators address the treatment of non-attributable expenses.</p>
CONTRACT BOUNDARIES	<p>Contract boundaries set for financial reporting may not always be appropriate for solvency. In particular, contract boundaries for reinsurance contracts held may lead to unexpected results, especially when CSMs are removed.</p>
ZEROISATION OF NEGATIVE LIABILITIES	<p>Where IFRS 17 is used or being considered as the regulatory basis, some regulators in Africa are considering whether negative liabilities should be zeroised. For the countries in scope of this paper that use IFRS 17 as the regulatory basis, no zeroisation is applied.</p>
DISCOUNT RATE	<p>The IFRS 17 standard requires that the discount rate reflects the characteristics of the cash flows and liquidity characteristics of the insurance contracts rather than that of the assets backing the liabilities. The following exceptions to the IFRS 17 discount rate have been observed:</p> <ul style="list-style-type: none"> ▪ Botswana: If the bottom-up approach is used to derive discount rates, the risk-free yield curve must be constructed from rates provided by the Bank of Botswana. ▪ Kenya: Following the alignment of the regulatory basis to IFRS 17, it is unclear whether the previously prescribed Nairobi Stock Exchange (NSE) yield curve must continue to be used or whether insurers may use their own IFRS 17 discount rates for the regulatory valuation. ▪ Mauritius: The Solvency Rules require that the rates of interest to value the liabilities shall not be higher than the rates of interest determined from assessment of the yields from existing assets attributable to the liabilities and the yields which the long-term insurer is expected to obtain from the amounts invested in the future. ▪ Uganda: The Ugandan IRA's Circular dated 22 July 2024 requires the Government of Uganda yield curve to be used for discounting. There is no allowance for any illiquidity premium.
RISK ADJUSTMENT (RA)	<p>Botswana, Kenya, and Uganda regulations prescribe a minimum of 75th percentile.</p>

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