

African Insurance Market - and the DNS Industry

by
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What's the Issue

- The most often mentioned barrier to Registrar accreditation is insurance
 - Some claimed it is not available in country
 - Others claimed premium high
- However, smart businesses take up insurance even when not required

The Registrar business

- Low price high volume
- Need 10,000+ registrants to be sustainable
- Much of revenue is from other services
- Average income of \$20-50/registrant yields max turnover of \$500K. A 30% ROI on min yield \$66K for operations. How much would you insure the business?

Who Requires Insurance

- ICANN accreditation: general liability coverage - \$500K
- Some Registries - PIR require \$1m
- The business - \$500K in the example above
 - Insure for max (ICANN, Registries, Business)

Why all this?

- Registrants are placing their business names/ brands and access to name in trust of Registrar, apparent risk
- Registrars have a responsibility to safeguard these names and make best effort for business continuity
- Assure that the names will live after Registrar in case of unplanned eventualities. The solution invariably includes insurance

Other businesses that require this as well

- Consulting companies
- Accounting companies
- PR companies
- Travel agencies
- All businesses for property, equipments, etc

Importance of Insurance

- A pioneering Internet company in Ghana, NCS, had grown a business from \$100K in 1988 to \$2.3m in 2003
- In 2003 it was shutdown over land dispute amidst political victimization
- It could not survive because did not have adequate insurance (only 300K?) to cover several liabilities
- Filed for liquidation in 2007

Insurance companies in Ghana

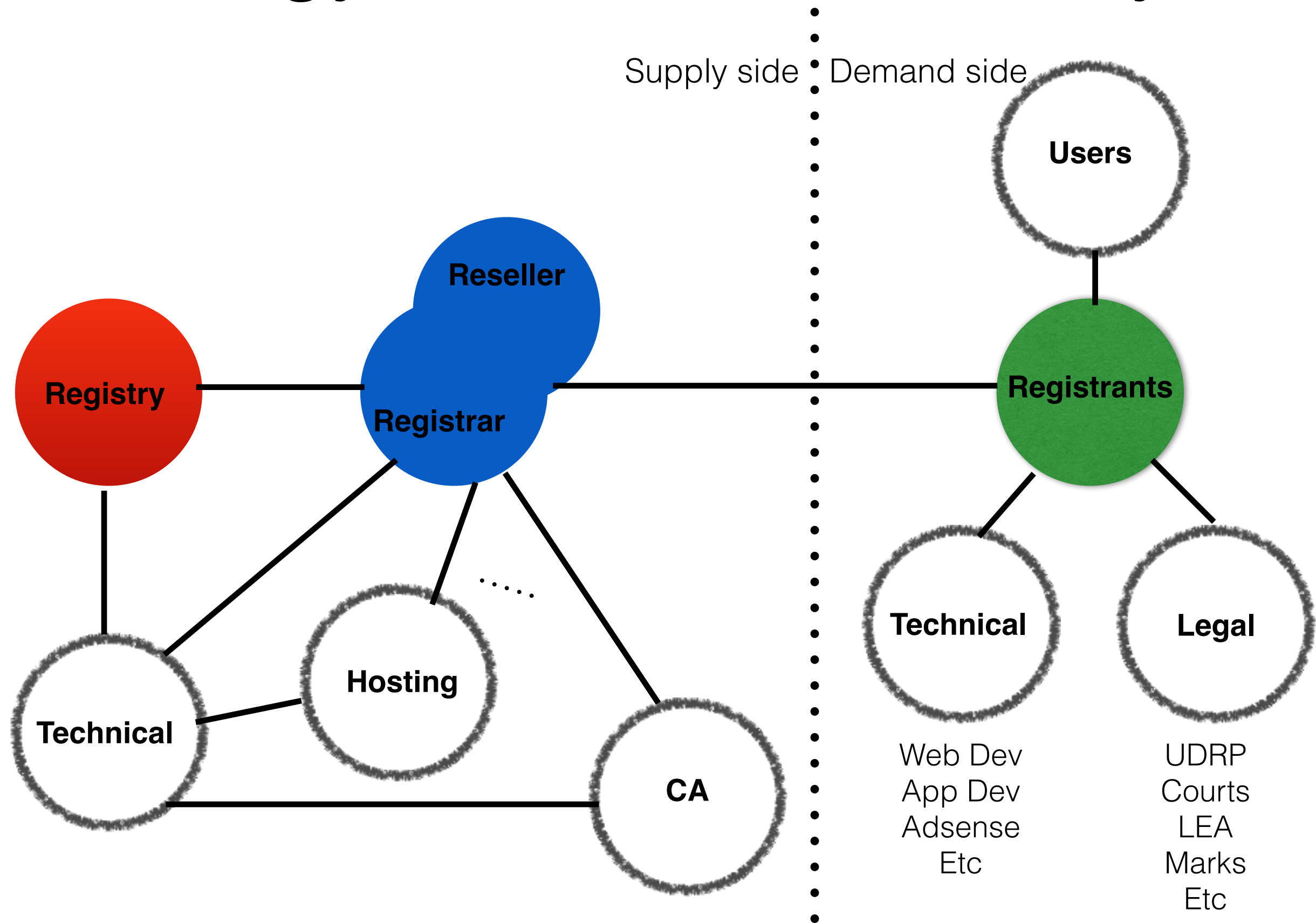
- National Insurance Company lists 21 insurance companies at its website and one reinsurance company
- They offer variety of services including auto, property, life, liability, guarantees, etc
- Annual Premiums also vary from 0.1% - 10+% depending on risk, by insurance company judgement
- (Note that it's NOT 100%?) so prospective Registrars may simply do normal business

Insurance outlook from South Africa

- Reference PwC Insurance industry analysis (pwc.co.za) 2013 report
- Long term insurers: Discovery, Liberty, NMI, Old Mutual, Sanlam; Short term insurers: Absa, Mutual&Federal, Outsurance, Santam, Zurich
- All see rest of Africa as under served and plan expansion onto mainland. NMI already in 12 locations, Sanlam in 10 locations, Mutual&Federal acquiring Oceanic's short term business etc
- All offer general liability insurance

A look at the business

Strategy: build DNS industry



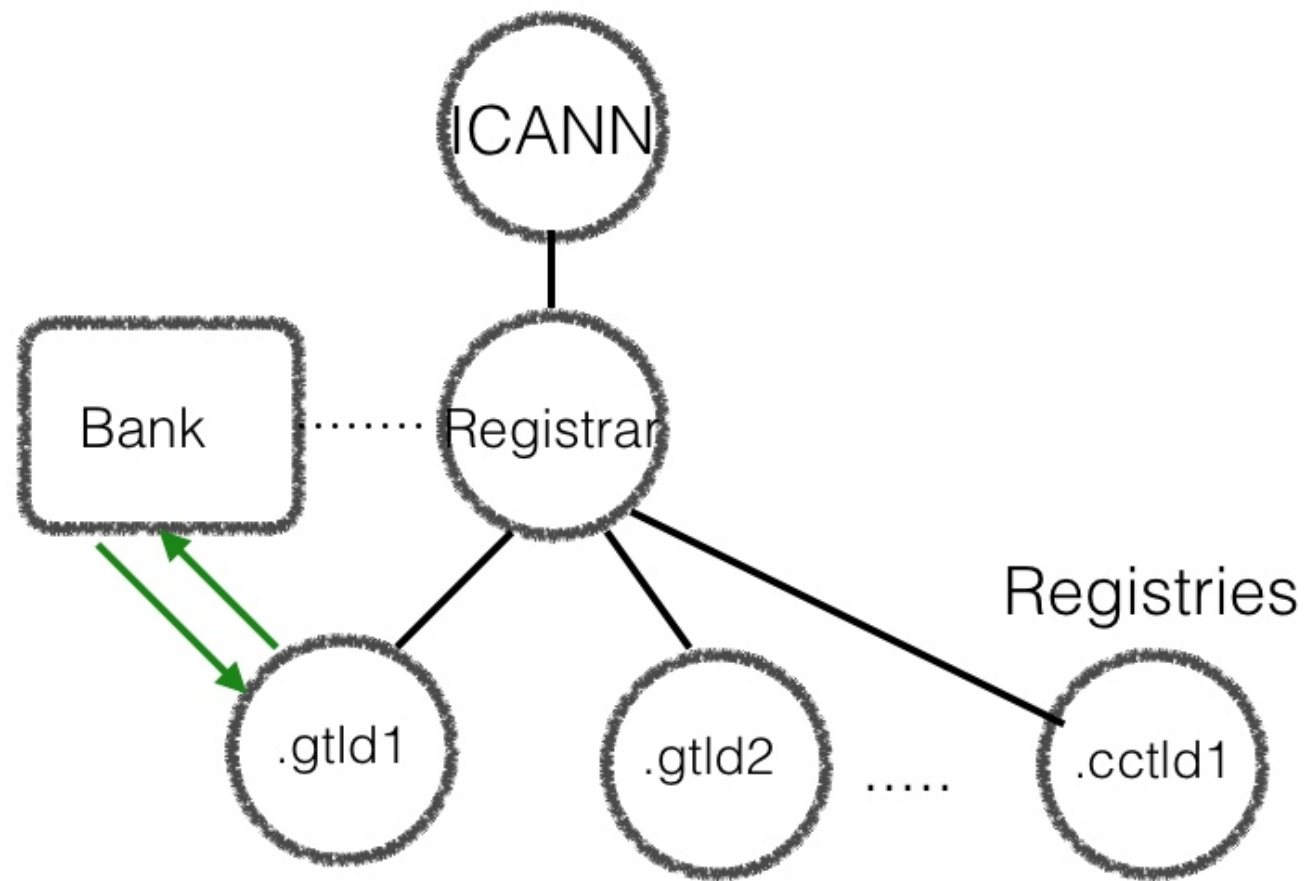
Registrar business

- Provide service to target markets, usually new markets in Africa (manage offered services)
- Develop industry ecosystem in growing the target market
- Collect small fees and take responsibility to transfer funds internationally to Registries, ICANN and other service providers

Some issues facing Registrars

- How to rapidly reach 10,000 registrants (not by more Registrars?) and survive
- How to enter business in new gTLD environment, 1000+ Registries?
 - Account management at Registries
 - Payment to Registries
 - EPP interconnection to Registries & testing

Figure 2: Example with Bank in Structure



GNSO Initial Report proposal

Conclusion

- Insurance is good for business and may not be the biggest hurdle; getting Registrants is
- Other new issues that all Registrars face in new gTLD environment may affect African Registrars more