

FAIR Daily



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Strong regulations key to well-functioning sector



Strengthening insurance regulation through the implementation of global best practices is crucial for the sector to play a lead role in facilitating economic progress in the MENA region, said Deputy Chairman of the **Egyptian Financial Supervisory Authority (EFSA), Dr Adel Moneer**, at the FAIR Conference yesterday.

“A well-functioning insurance market can be realised if we strengthen supervision by encouraging the implementation of global best practices,” he said.

In suggesting a roadmap towards a well-functioning insurance sector in the region, Dr Moneer also spoke about the role of the industry in promoting good risk management at various levels of society.

“There has to be effective communication with the private sector, and we need to increase risk management awareness and planning at the national and local government levels for eventualities like natural catastrophes,” he said.

Other key strategies towards developing a sound industry include growing takaful markets to promote financial inclusion, and also the need to continually build up human capital within the industry.

PM Sharaf lauds insurance sector for supporting Egyptian economy, post revolution

Egypt's **Prime Minister Essam Sharaf** commended the insurance sector for the vital role played in supporting the nation's economy in the wake of this year's revolution.

In his speech, which was delivered by **Deputy Prime Minister Hazem Beblawi**, he stressed the important role of the industry in the Arab Spring era, supporting countries that have undergone political transformation in places such as Egypt, Tunisia, Yemen and Libya.

“The sector has to continue to exert greater effort during this period to maintain the momentum of the economic development in these markets,” he said.

The opening session also saw new FAIR Secretary-General **Hammam Badr** urging for FAIR to consider enhancing cooperation with other groupings in Asia and Africa such as the Pacific Insurance Conference. He also paid tribute to immediate former Secretary-General **Ezzat Abdel Bary** for his tireless efforts in building up the organisation.

The FAIR presidency was formerly transferred to Egypt from the last host nation Malaysia, with current FAIR President **Hashim Harun** (below left) handing over the baton to **Abd El Raouf Kotb**.



Panel on Role of Afro-Asian insurers as a catalyst for economic development

Deepening insurance penetration

Insurance growth has a direct link on the economic value of a country. Thus, enhancing insurance penetration should be the main focus in FAIR markets as a tool for socio-economic development, said **Mr Albert Joel Nduna**, Chief Executive of **Zim Re**, who spoke on the panel discussing the role of Afro-Asian insurers as a catalyst for economic development.

Naming micro-insurance as a vital tool in the fight against poverty among developing countries, Mr Nduna urged FAIR to give priority to the development of micro-insurance in member states.

“The poor people need to be protected from risks like illnesses, death and weather-related risks, and appropriate products to cover these risks must be designed.”

He also noted that insurance can play a significant role in promoting industrial development in Africa and other FAIR regions. In particular, he noted the commodity boom

in recent years has resulted in an increase in exports from Africa and other FAIR countries – a trend which FAIR members can capitalise on to promote development of industries among member states.

“FAIR members need to build capabilities that would allow firms to be competitive and service the export markets thereby resulting in robust economic growth,” he said.

In discussing the conditions for insurance market deepening, Mr Nduna highlighted several critical factors. They include raising consumer awareness on insurance, a conducive regulatory environment, rising income levels, promotion of takaful in predominantly Muslim markets and increased product innovation.



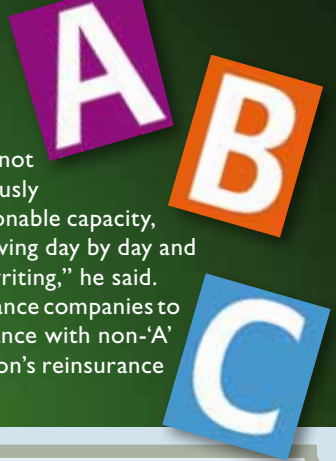
Reinsurance capacity needed



Speaking on the same panel, **Willis Re** Managing Director for Middle East and Africa **Muzaffer Aktas** spoke about the increasing severity of natural catastrophe losses which countries have to deal with. In discussing the availability of capacity and support in the reinsurance market, he made a case for regional reinsurers who are often hampered by lower ratings – in some cases as a result of their sovereign rating. “A number of regional reinsurance companies are

not ‘A’ rated. This, in my opinion, should not be a drawback strongly to be used vigorously against them because they provide reasonable capacity, and many regional reinsurers are improving day by day and have the expertise to do sound underwriting,” he said.

He called on regulators to allow insurance companies to place between 10-20% of their reinsurance with non-‘A’ regional companies in order for the region’s reinsurance companies to flourish and grow.



What are your plans and expectations for 2012?

In view of a fairly unstable regional environment and the fragile political and economic situation, Tunis Re has adjusted the expectations and objectives of its business plan.

In 2012, Tunis Re plans to:

- Adjust its planned development in the MENA region, given the impact of the recent events on the economic and insurance activity within the concerned countries;
- Strengthen its retakaful branch in the target markets;
- Increase capital from TND45 million (US\$31 million) to TND75 million to better respond to the prudential requirements in equity;
- Improve technical profitability through a selective underwriting policy, identify major risks through an effective risk management policy and gradually withdraw from retrocession treaties by favouring direct business underwriting; and
- Optimise investments to improve financial profitability.

Ms Lamia Ben Mahmoud,
Chairperson and CEO, Tunis Re



We expect that recent developments will have a positive impact on the insurance industry in the near future, facilitated by the development of oil & gas industry in many Arab and African countries. The development of the oil & gas sector will provide momentum for the local economies of those countries, and enhance the development of insurance and reinsurance industry.

We see available opportunities in the region for the takaful industry in general and for Africa Retakaful in particular.

We expect Africa Retakaful to grow rapidly with the new markets to be penetrated, especially in Africa.

Mr Bakary Kamara,
Chairman of Africa Retakaful



In 2012, we will see a continuous growth momentum in the insurance industry in China, in both life and non-life sectors. In the Chinese market, the intensification of competition among the insurance companies and strengthening of regulation requirement will bring new challenges and features in both the insurance and reinsurance sectors. By taking advantage of its overall strength, China Re will maintain its leading position in the domestic reinsurance market and at the same time, actively seek more overseas opportunities by expanding its overseas network and business channels.

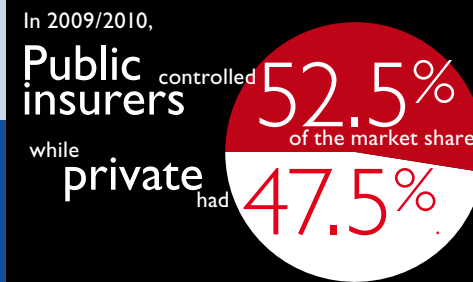
Ms Yu Qing,
Vice President, China Re



Insurance in Egypt

The Egypt Financial Supervisory Authority (EFSA) was established in July 2009 to oversee all non-bank financial services, including insurance, capital market, mortgage finance, financial leasing, factoring, securitisation and microfinance.

In 2010, Egypt was ranked **84th** globally in both insurance penetration at 0.7% and insurance density at US\$18.80.



Total premiums in the first **3** quarters (July 2010 to March 2011) grew **13.3%** y-o-y to EGP**7.86** billion (US\$**1.32** billion)

A minimum capital of **EGP 60 million** is required to set up an Egyptian joint-stock insurance company. **100%** ownership by foreign insurance companies is permitted.

In 1900, Egypt established the **National Insurance Co.** the **first insurance company** in the **Arab world**



GIC Re goes global

With branches in London, Dubai and Kuala Lumpur, and plans to open more, General Insurance Corporation of India (GIC Re) is poised to extend its international reach. **Mr Yogesh Lohiya**, Chairman-cum-Managing Director chats about the company's plans to acquire and its prospects following the Arab Spring, in an excerpt of an interview first published in Asia Insurance Review.

GIC Re is looking out for acquisitions to help it become a global reinsurer, said Mr Yogesh Lohiya. "Organic growth will not be able to deliver the pace that we desire to catapult us into the class of the top 10 global reinsurers," he said. "Cross-border acquisitions alone can help us gain complementary competencies and capabilities which when merged with our own strengths, will help us to become a global reinsurer in the true sense of the word.

"Currently, GIC Re is a stakeholder in a couple of overseas (re) insurance companies, and we are always on the lookout for good bargains, especially in the emerging markets."

GIC Re plans to open branch offices in South Africa and Brazil in 2011, and hopes to upgrade its representative office in Moscow. The reinsurer currently has branch offices in London, Dubai and Kuala Lumpur.

Reduced business from political unrest

In recent months, it has faced some setbacks due to the political turmoil in the Middle East. "Our business from Syria, Jordan, Greece, Libya and Morocco has come down. Earlier, we also wrote a lot of business from Iran, which has now stopped."

Still, he remains optimistic about long-term prospects. "Things will not be stalled for long. Economic activity will soon get back to its previous level. Hence, we should be able to evaluate the risks involved in these areas in the current scenario with due diligence. All changes bring opportunities."

Citing the example of India, he said that following liberalisation in the nineties, there was a surge of opportunities and possibilities. "Similar is the case with the Middle East countries. These were closed economies thus far. Now, more open governance, more liberty and more freedom sweeping in would mean more economic activity and this is what we are looking at.

"I am confident that GIC Re would be able to put to good use the knowledge that it has acquired about these markets in the last four decades. Also, we are not resting on our laurels. We are scouting for business in the hitherto untapped markets of US and Canada. The Latin American market, too, is on our active focus list."

Becoming a reinsurance hub

Turning towards India, Mr Lohiya sees an opportunity for the country to become a reinsurance hub. "The first decade of the Indian insurance sector after liberalisation has witnessed rapid growth in all classes of business. Projections for the growth of the Indian insurance sector in the current decade and thereafter are very encouraging and optimistic. It is therefore safe to say that India would be the reinsurance hub of this part of the globe. It has the potential to leave behind the other two reinsurance hubs in this region, Dubai and Singapore.

"As far as the insurance infrastructure in the country is concerned, everything required is in place: an active regulator, growing insurance companies, new products being launched with regularity, vast talent pool of insurance and reinsurance professionals, performing intermediaries and ancillary service professionals like

loss adjusters, lawyers, risk management professionals and above all, low insurance penetration."

"Possibilities are immense"

Mr Lohiya is optimistic that the impressive growth rates recorded by the Indian insurance industry can be sustained. "I don't think there would be any problem in that. At this juncture, the possibilities are immense. We have to be able to exploit it for the benefit of all stakeholders."

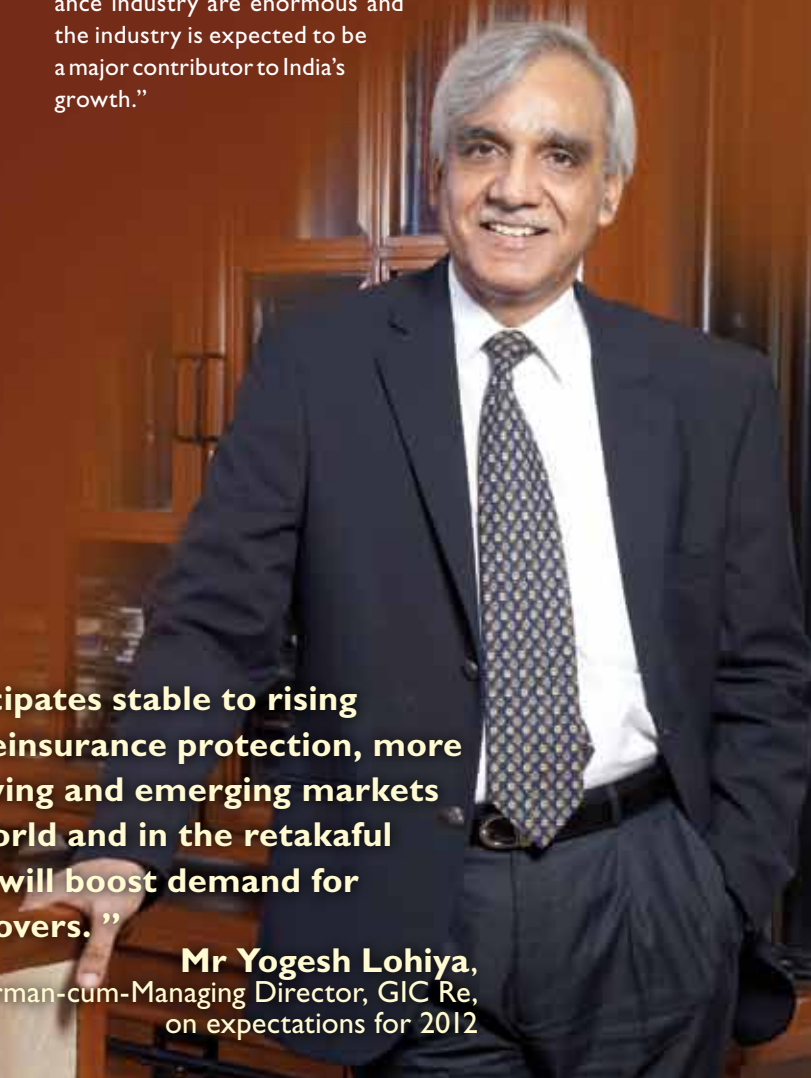
He feels that the only challenge for the Indian insurance sector is to reach out to the variety of customers with innovative products and distribution channels. "Indian insurance is at the brink of an exciting journey today. We need to look at the man at the bottom of the pyramid, which is where the big growth for the Indian insurance market will come from. More than 70% Indians are uninsured and more than two thirds of India live in rural areas.

"Experience has shown that people at this level are more than willing to opt for covers if they are easy to obtain, simple and flexible, hassle free and above all, meet their needs when they require them the most. The way out of these issues is adopting state-of-the-art technological innovations, microinsurance, building low-cost channels such as direct marketing, internet and telemarketing channels to sell simple insurance policies and service existing policyholders.

"The growth potential and opportunities for the Indian insurance industry are enormous and the industry is expected to be a major contributor to India's growth."

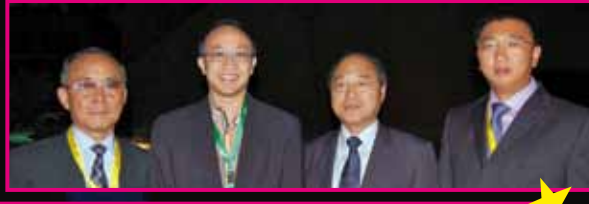
"GIC Re anticipates stable to rising demand for reinsurance protection, more so in the growing and emerging markets around the world and in the retakaful sector, which will boost demand for reinsurance covers."

Mr Yogesh Lohiya,
Chairman-cum-Managing Director, GIC Re,
on expectations for 2012



Soiree under the stars

FAIR members had begun trickling in earlier, but for many of the over 600 delegates, the FAIR Conference kicked off on Sunday with a welcome reception by the Intercontinental poolside. Old friends reconnected and new contacts were established – setting the stage for exciting days ahead in Cairo.



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