

# GAIIF Daily

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## THE GREAT DEBATE

### A Proliferation of Successes

The debate on “whether the proliferation of new insurance companies across the Arab insurance markets is inhibiting consolidation through mergers and acquisitions” proved to be a very exciting and meaty session where many issues were aired openly and discussed in friendship and earnest without any undue defensiveness or undercurrent. The debate, chaired by Mr George Kabban, Chief Executive Officer UIB (Dubai) who was impeccable with his timing and questions, turned out to be a forum where several key lessons could be drawn for the region on moving forward. Although billed a debate, it was, indeed, a planned Q&A with such a series of well-timed and well-directed questions by the Chairman that everyone of the speakers and several from the floor were drawn into the discussions.

The debate did not have a clear taking of sides for the proposition or opposition of the motion. In fact, there seem to be an almost consensus that:

- There are too many companies in the region, and culture, the family-owned nature of the companies and price expectations were some factors holding back consolidation;
- There are no clear-cut strategies for forcing this consolidation other than through market forces, not even through regulators; and
- The higher number of smaller companies were stretching the limited skilled sets.

The debate did not stay away from controversial or hard-hitting issues like: Do the big number of smaller players help the market in any real way? Does the higher minimum capital requirement lead to more price undercutting in the rush for market share? Are the smaller companies risk carriers or risk traders?

Here, we bring you a quote from each of the debaters, not so much because it was their best quote, but just to show the variety and range of views expressed at this session where the brave debaters should have been given a standing ovation.



Mr George Kabban

“With some of the companies, their turnover doesn’t warrant the attention that we want to give our clients in terms of service and quality.”

**Mr Andreas Molck-Ude,**  
Chief Executive, Middle East & Africa,  
Munich Re (Munich)

“As the Arab conglomerates and business groups go overseas, Arab insurers must be ready to go beyond national borders to serve the needs of their clients regionally and internationally. Insurers need to be where their clients are.”

**Mr Latif AlRayes,**  
Chairman & CEO, Aon Middle East (Bahrain)

“Foreign companies are coming in to only selected markets with potential and not to every Arab market. Arab companies must shape up or lose a large chunk of their business to foreign companies. Educating and training the staff and nurturing the talent are very important including trying to get insurance courses into leading universities.”

**Mr Fady Shammas**  
CEO, Arabia Insurance  
Company (Beirut)

“Regulators should stay away from excessive rules and regulations. They must create as flexible an environment as possible to allow market forces to rule. Sooner or later, shareholders of smaller companies will know whether or not they can support the cost.”

**Mr Udo Kreuger,**  
Chairman, Executive Committee, Solidarity, Bahrain

“With the number of licences given and the capital pumped in, the Saudi market will grow fast, and, within five years, there will be a consolidation wave, driven by the insufficient skilled human talent. Companies will be forced to consolidate to become bigger and more efficient.”

**Mr Mousa Al-Rubaian,**  
President, dar Mousa (Riyadh)

“Fragmentation destroys value for insurers and brokers as well as more effort to service smaller clients. On the other hand, boosting insurance awareness creates a bigger pie for all.”

**Mr Farid Chedid,**  
Managing Director, Chedid Re (Beirut)



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# And the Winner Goes To . . .

## . . . Still Seeking

In an ironic turn of events, it was the organising committee which emerged as the real winner of the first-ever essay competition to be held at a GAIF conference, as the US\$10,000 cash prize went unclaimed. Yet, this presented the opportunity to reveal some very interesting results from an interactive survey closely linked to the essay topics.

The second prize of US\$5,000 went to Mr Laith Alsabagh of Alwathba Insurance of Lebanon. Respondents could choose to write on either the "Applicability of the European Union (EU) insurance regulations to the Arab markets and the modifications needed for adapting them" or "Main factors likely to influence the Arab insurance markets in the coming years".

In presenting the results, Mr Yassir Albaharna, CEO of Arig, debunked

some possible reasons for the lack of responses: low level of qualified staff ("we are sure they are present in the Arab world"), unattractive prize money ("the benefits are not just material"), problems with the theme (one was specialised and the other was general) and lack of time (the closing date was extended by a month).

In spite of this, "the experience did not disappoint the steering committee and it will, in fact, help us to prepare for the forthcoming conference," said Mr Albaharna.

The organisers bravely soldiered on by holding an interactive survey of the 100-odd participants using a high-tech, real-time device which drew out the essence of the two topics set for the essay competition.



Mr Yassir Albaharna

### SURVEY HIGHLIGHTS

#### Applicability of EU Regulations

On the applicability of EU regulations, half the respondents were in favour of EU insurance regulation based on "home country control" (ie, one country's insurance regulator licences and supervises an insurer who may then operate in another country) being adopted in the MENA region.

#### Who Should Push for a Single Market?

On the issue of who should push for a single market, which in the EU came from the governments and the Euro-bureaucrats, the survey showed that almost half believed that insurers and reinsurers should push for a single unified insurance market. About a quarter felt this should fall on regulators and supervisors, while another 30% said the responsibility was that of the governments.

#### Single Financial Services Market in MENA

43% believed that a single financial services market across the MENA region is a pre-condition to a unified insurance market, while 36% disagreed and the rest were unsure.

#### Single MENA Market Open to All Insurers

Opinion on whether there will be a single MENA market open to all insurance companies within the next decade was divided, with 41% agreeing and 44% disagreeing.

#### Orange Card system

The survey also highlighted an interesting feedback to the cross-border Orange Card system – a GAIF initiative – showing 67% felt that the Card was successful.

#### Compared to International Standards

Respondents were in favour of strengthening the MENA's insurance industry to be on par with international standards, with 57% being in support of risk-based capital replacing the existing solvency margin approach. 36% felt that insurance companies were having the most difficulty with corporate governance and disclosure regulations, while 20% believed that increasing minimum capital requirements posed the hardest issue.

#### Medical Malpractice, Nat CATs, & Health Insurance

Interestingly, 47% said that medical malpractice should be made compulsory in MENA, over the 18% who voted for Nat CATs to be made mandatory. An overwhelming 65% said that health insurance would overtake motor insurance as the leading class of business in the region during the next five years.

#### Crystal Ball

While looking at the prospects for 2008 among the five choices offered – Saudi Arabia, UAE, Libya, Qatar and Egypt – half the respondents said Saudi Arabia would show the highest growth this year, with a quarter voting for the UAE. Egypt received 11% of the votes.

## GAIF Living Up to Resolutions and More

GAIF has a strong track record of living up to the various resolutions adopted by the Board, said Secretary General Mr Abdul Khaliq Khalil, who challenged



Mr Abdul Khaliq Khalil

anyone who dares to say that the resolutions are "not worth the ink" they are printed on. Among the activities achieved over the past two years since the last General Conference in Damascus in 2006, GAIF has achieved the following, he said with pride and conviction: "A number of initiatives such as the setting up and administration of the orange card; creating Arab underwriting pools; the Arabization of insurance policies and contracts; publishing specialised insurance periodicals; holding seminars and insurance gatherings; collating and producing statistics on the Arab insurance markets; studying new relevant regulations in the various Arab countries; and establishing the Arab Insurance Academy in Damascus, Syria."

He urged the delegates to read the CD-rom distributed to all delegates to review the list of resolutions adopted since 1994 to see the progress achieved.

And GAIF is not stopping there in its bid to promote greater integration of the Arab insurance market. Over the next few years, to better serve the market, the GAIF Secretariat is also set to launch an Arab network for insurance brokers as well as a society for Arab insurance lawyers.

## Moody's Says Region Will See More High Profile Larger Players

The trend of increasing numbers of larger and higher-profile insurers will continue as insurance markets in the region mature, said Moody's in a report released yesterday. It noted that one of the key credit challenges for the markets in general is the significant number of smaller, often unsophisticated players.

In the special report on the Middle East, Moody's Investor Services said: "Most markets also contain a handful of substantial and well-recognised market leaders".

The report said the trend of the growth in the Middle East outstripping global average was set to continue for the next few years on the back of rising per-capita GDP, increasing awareness of the benefits that insurance can bring and government actions to encourage individuals to save for their own retirement. Takaful will be a strong contributor to overall insurance growth, it said.

"Non-life insurance remains the dominant line of business, with most Middle Eastern markets showing relatively high levels of concentration on a select few insurance retail lines, and sizeable commercial insurance contracts relating to higher-risk infrastructure projects in the region, such as oil, gas and construction," noted the report.

On a positive note, the report said that the gradual broadening of insurance products and insurance purchasers should improve non-life product risk and diversification. Life insurance is set to expand substantially, leading to a better level of overall insurance risk diversification.

Second Edition



## MENA Insurance Directory 2008

The directory encapsulates key corporate information on nearly 360 insurance and reinsurance companies across 19 markets in the Middle East and North Africa Region.

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# Bahrain Scores

By all accounts, the 27th GAIF conference has been a big hit with the delegates.

We hear from a sample of the more than 61 nationalities represented at the conference on their impressions.

"The GAIF Conference is a fantastic forum to meet people we don't often meet. The level of intellectual capital you get from the speeches is very high and it serves to remind people that this is a thriving, energetic, active market with a terrific future. GAIF can also take some of the credit from the WIF going to Dubai in a few weeks, a tremendous coup for the region."

**Mr Peregrine Towneley,**  
Chairman of MENA, JLT and  
GAIF Conference attendee for the last 20 years



"Here, we can find all the Middle East players under one roof and this is an opportunity to meet our clients and prospects. Through this, we have a better feeling of what the market is and what it will be in the future."

**Mr Jean-Louis Piquet,**  
Head of Life & Health Operations MENA, Hannover Life Re



I congratulate the organising committee for this lovely event. The new techniques of debating, voting, and specifying places for networking and meetings were all good things to have at the conference this year.

**Mr Fadi Abu Nahl,**  
CEO of Trust International Bahrain



"I was pleased to see the great number of participants in GAIF Bahrain this year. The place and the timing were great and suited all. As a reinsurer, we were able to meet many of our business partners and the event was beneficial both socially and technically."

**Mr Sami Guellouz,**  
Senior Manager, Best Re

"The conference this year was different and we hope that it will further address our needs as Arab insurers and reinsurers in the region. It is now time to act and move forward for the sake of our industry in the region."

**Mr Abdul Muttalib M Al Jaidi,**  
General Manager, Oman Insurance Co



"This year's GAIF Conference is a success. It's well-organised and the attendance is quite high with lots of professional coming from different parts of the world. We are here to meet up with our clients and also to introduce Kiln to them."

**Mr Khader Hemi,**  
Chairman & Group CEO, Alliance Re



"Apart from the speeches and sessions, what I like most about the conference is the chance and possibility of meeting up with people whom I have lost touch with. I really enjoy rekindling friendships with friends and also associates. Maybe next time, the organisers can also incorporate workshops in addition to the sessions."

**Mr Gerald M Van Campenhoudt,**  
CEO, Kuwait Qatar Insurance Co



"Once again, GAIF has been a gathering place for insurers and reinsurers from all over the world. Thank you to all the contributors."

**Mr Huseyin Yunak,**  
Assistant General Manager, Milli Re

"GAIF is the only pan-Arab meeting that gives all Arab insurers, reinsurers, and regulators an opportunity to meet under one umbrella and discuss matters of concern and exchange experiences and thoughts. GAIF Bahrain was a success, and I was pleased to see all our friends from both the regional and international communities."

**Mr Hadj Mohamed Seba,**  
Chairman & General Manager of Compagnie  
Centrale De Reassurance in Algeria



"The great number of delegates coming to GAIF Bahrain from all over the world is a clear indicator of how strong and promising is our insurance industry. GAIF is becoming more like Monte Carlo of the Arab insurance and the reinsurance industry, and I hope that we'll be able to create a unified and integrated Arab insurance markets in the future."

**Mr Elie Nasnas,**  
GM of AXA Middle East and President of the Insurance  
And Reinsurance Association in Lebanon (ACAL)



"The event has allowed me to meet with different people throughout our region and has provided a great opportunity for networking and building good relations. The innovative debates were an added value to the conference and the topics are of great importance to the future of the industry in the region."

**Mr Fouad Hannoun,**  
General Manager of ARABIA Syria



"With the great number of delegates attending this year, GAIF Bahrain turned out to be the best Arab gathering and I congratulate the organisers for all their efforts and appreciate the opportunity we had for meeting all the markets under one roof. We look forward to see more of such gatherings in our industry and all the best to GAIF Bahrain."

**Mr Issam Abdel Khaliq,**  
Arab Union Insurance Co – Jordan

As our contribution to the industry's march towards higher standards and greater professionalism, *Middle East Insurance Review* incorporating *Global Takaful* is extending a **FREE CD-ROM** of all the articles published by us in 2007 at this GAIF Conference. Pick up your copy today at Booth B01.



# Bright Lights, Big Parties

Delegates in Bahrain enjoyed a full programme packed not just with speeches and debates, but also abundant networking opportunities and socials, featuring flamenco dances, jazz music and even Arabic poetry reading. Here are some snapshots of the nights to be remembered.



## Hello JORDAN!

The 28th GAIF Conference will be held in Jordan in 2010 and Mr Waseem Zurub, GM and Board Member of Housing Loan Insurance Co., and President of the Jordan Insurance Federation, has promised to make it another success story, akin to this year's conference in Bahrain. He also hopes to see the same regional and international attendance at Amman, adding: "It is an honour for us to host the event, and we are certain that all efforts will be exerted to make it the best for the industry in the region."



## 3rd Asian Conference on Takaful (Islamic Insurance)

11 - 12 March 2008, Singapore

Theme: Takaful Coming of Age – Strategic Co-operation to Raise Standards & Offer Real Value to Customers

For more details, visit [www.asiainsurancereview.com](http://www.asiainsurancereview.com)



## Solidarity Raises Paid-up Capital to US\$220 million

In a major corporate restructuring, a new Solidarity Group has been created to oversee and support Solidarity's various subsidiaries and affiliates, while a successful private placement offering to selective investors has allowed the company to increase its paid-up capital from US\$150 million to \$220 million, with the authorised capital standing at \$500 million.

"This restructuring, which turns Solidarity's two main business units into two distinct but inter-connected companies, will allow each to tailor-make their development plans to suit their individual needs. They will, however, maintain similar long-term strategic objectives, to ensure cohesiveness and to benefit from the economies of scale which comes from being part of Solidarity Group," said Solidarity Group Chairman, Mr Khalid Abdulla-Janahi at the press conference alongside the GAIF meetings.



(L-R): Ashraf Bseisu – Deputy CEO, Solidarity Group; Sameer Al Wazzan – CEO, Solidarity Group; Rashid Al Meer – Vice Chairman, Solidarity Group; Khalid Abdulla-Janahi – Chairman, Solidarity Group; Gopi Rao – General Manager, Solidarity Family and Gautam Datta – General Manager, Solidarity General.

## GAIF Daily

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