

GAIFF Daily

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Call on Arab insurers to achieve global excellence

Even as the Arab insurance markets grapple with the problems of excessive competition as well as changing regulations and pressures to become more professional, there are already calls for the regional Arab insurance industry to look at achieving global excellence.

This visionary exultation at the opening ceremony of the 28th GAIF under the patronage of His Majesty the King of Jordan with the Prime Minister in attendance as Guest of Honour, was made by **Mr Abdul Khaliq R Khalil**, GAIF Secretary General in the first address at the Conference. He urged Arab insurers to embrace higher standards and strive to achieve global excellence at a time where the world is looking at the region in the aftermath of the global financial crisis.

Mr Jawad Hadid, Chairman of the Jordan Insurance Federation, said that Arab insurers still need much upgrading to become more in line with international standards. He urged insurers to be more scientific and systematic in their approach to risks and overcome the cultural barriers to insurance. He called on insurers to be more aware of the business of risk and to aspire towards stability and constancy while making a breakthrough in corporate and individual risk management.

Spreading the goodies

In encouraging insurers to look beyond investing surplus capital, he urged them to look at spreading the goodies by investing in countries that need capital and capabilities. He felt that the insurance industry through GAIF should aspire to reach the higher prestige that the Arab banks and financial institutions enjoyed.

The Heart of the Theme

Mr Abdul Khaliq, a keen nurturer of the market, said that the Conference provided an ideal platform for the Arab insurance industry to make a collective and worthwhile effort to boost regional co-operation. This is a key way in helping the Arab insurers assert their weight in the global fora.

Identifying the fundamentally strong growth potentials in the insurance industry, he said the increasing population base and the infrastructural developments in the region will dictate a greater need for insurance. Stressing the need for insurance to be promoted to all sectors of the economy and society, he said the industry has to invest in human resource development over the immediate and long term as a matter of strategic urgency. This was an integral part of the cryptic theme of the Conference – Secured Economy, Comprehensive Development.

Mr Hadid explained the theme as having the aim of consolidating the security of the Arab economies and strengthening the roots to achieve that sustainable all rounded development.

Going towards integration

Outgoing GAIF President **Ashraf Bseisu** outlined the progress made in the Federation over the two years since Bahrain hosted the last GAIF



GAIF Secretary General Abdul Khaliq R Khalil thanking past, present and future GAIF Presidents at the General Assembly: (L-R) Messrs Sulaiman Al Hassan (2006-2008), Ashraf Bseisu (2008-2010), Jawad Hadid (2010-12).

Conference in February 2008. He felt that the Arab insurance industry was still pressing on with progress towards greater integration and called on the individual members to be more pro-active in enriching GAIF's future as the industry develops and modernises. One potential development in regional co-operation is the possible extension of the Orange Card scheme, launched in 1975 to facilitate the free movement of vehicles across borders, to include Saudi Arabia. GAIF is also active in talking to the pan-Arab regulatory body, AFIRC.

Ending with a note on the future, Mr Bseisu said that GAIF will be moving to its modern new headquarters in Cairo soon.

Sky-high aspirations at earth's lowest point

At the Dead Sea, the lowest point on earth, aspirations are still sky high for GAIF which is meeting with record numbers of nearly 1,600 delegates. This is probably the largest insurance gathering in the world if the events held by Risk & Insurance Management Society and Million Dollar Round Table are excluded.

So all eyes are now fixed on the next records being broken. Will GAIF at the Dead Sea deliver over three next days when the black iris blooms?



**NEWS
of the
DAY**

- ▶ Passenger plane carrying 44 crashes in Afghanistan
- ▶ London airports reopen as volcanic ash disrupts flights
- ▶ Around 5,000 remain on streets of Bangkok, defying order to evacuate
- ▶ Iran to resume uranium enrichment despite Turkey deal

“Realising the importance of the GAIF Conference and the large number of delegates it attracts, we made immense efforts to make it distinctive on the intellectual and cultural levels. We would like to send a strong message to guests from all over the world that the Arab insurance industry seeks innovation and modernisation. Our markets are full of opportunities and there are serious players who are willing to serve their economies and improve the level of the industry to cope with international developments.

The GAIF Conference is an international event and the 28th convention in Jordan is another milestone in its journey. We are eager to add something tangible to GAIF’s performance during the next period of Jordan’s presidency and with the cooperation of all Arab friends and colleagues, we are confident that we can fulfill our duties.”

Mr Imad Abdel Khaleq,
Head of the Local Executive
Committee, GAIF 28th



Al- Aqsa beckons

By Ridwan Abbas



Jerusalem, just an hour away from this GAIF venue and being the important focal point of the three monotheistic religions of the world, was a captivating cocktail talk of the past night.

I visited this holy city on Sunday and as a Muslim who did the Umrah in April visiting Mecca and topping it with a visit to Madinah when doing my market visit to Saudi Arabia, it was a surreal experience for me praying at Al-Aqsa Mosque, meaning the “farthest” in Arabic.

I want to record the trip here to give ideas to all those who want to go to Al-Aqsa, and that it can be done. I left the Holiday Inn at 7.30 am and was back by 4pm to help set up MiddleEast Insurance Review’s exhibition booth at the Centre.

As a Muslim with a name that starts with “Muhammad” and ends with “Abbas” I was subjected to interviews by no less than four sets of Israeli immigration officials separately. After an hour, I was allowed in and they actually asked me in all humility if I like my passport stamped. They obliged me by not stamping it.

And after that it was just a 25 minute ride to Al-Aqsa, a distant dream which was becoming a reality. With a Jewish guide who was more interested in asking me about Islam, we were both elated when we arrived. I was there for a whole hour in full serenity and in wonderment at the Golden Dome and sheer ecstasy of it all.

I share this because I want all of you out there who are keen to take the plunge and go. Al-Aqsa lies just across the border.



Al-Aqsa Mosque seen from the South wall

Jordan insurance industry: Facts & figures



Gross written premium reached JD365mln or US\$514mln in 2009, up 9.6% y-o-y.

Top 5 players in terms of GWP (JD)

Arab Orient Insurance	44.59million
Jordan Insurance	32.73million
Arab German Insurance	25.29million
Middle East Insurance	23.22million
Jordan French Ins	16.56million

There are 28 insurance companies – 17 composite, 10 general and 1 life

The 3 takaful providers are Al Barakah Takaful Insurance, Islamic Insurance and First Insurance.

GDP per capita US\$3,616 in 2009 was

GDP growth forecast for 2010 is 4% (IMF)



The Insurance Commission of Jordan

was established towards the end of 1999 as an

independent regulatory body



What is the most critical challenge facing Arab insurers?

Despite the positive developments in the Arab insurance industry, it still has not lived up to its potential. Further efforts are needed to face the challenges of strengthening financial capacities to achieve higher retention rates and respond to market demands, improving the human resources, increasing public awareness, developing quality of services, and creating a healthy competitive environment based on professional standards. The regulatory bodies have a big role to play in fulfilling such goals and help to develop the industry.

Mrs Lamia Ben Mahmoud,
Chairperson & CEO, Tunis Re

The greatest challenge facing Arab insurers is the large number of players which does not correspond with the level of economic development. As a result, these companies engage in operations which are not very different from insurance brokerage.

Mr Eiad Zahraa, General Manager,
Syrian Insurance Supervisory Commission

Increasing the penetration rate and elevating the insurance industry's contribution to GDP - directly through premiums and investments and indirectly by protecting the economy and society's well-being - calls for investments in human capital, marketing and reputation. Part of this challenge will be faced by the official bodies in the context of developing the general economic environment and the supply and demand of insurance so that protection is properly priced and there is equilibrium between demand and supply.

Mr Khaled Abu Nahel,
Chief Operating Officer, Non-Life Operations,
Trust International Insurance Co

At the corporate level, competency development and proper corporate governance are key. At the market level, size is important in facing external competition. We must encourage more mergers and acquisitions if we do not want to see our regional markets being absorbed by insurers outside the region.

Mr Walid Genadry,
Head of Insurance
Control Commission,
Ministry of
Economy & Trade,
Lebanon

With market liberalisation and the increase in the number of operators in the Middle East, scarcity of human resources is perhaps the biggest challenge facing the industry at this stage. The dearth in qualified and capable talent will eventually affect the quality of service rendered to the clients. All concerned parties, be they insurance companies, supervisory authorities, insurance federations or others, have to think deeply of proper ways to create suitable educational institutions to provide us with high quality personnel capable of filling the shortage and providing strong insurance cadres.

Mr Ibrahim Abdul Shahid, Managing Director,
Alpha Lloyds Egypt (under formation)

Trust Re: Aiming for profitable growth

Last year, Bahrain-based Trust Re grew by 25% in GWP and achieved an underwriting margin of 11%. The company's management shares the highlights of the year with *MiddleEast Insurance Review* and their approach to underwriting.

In 2009, Trust Re attained an underwriting margin of 11% despite the global recession and financial turmoil. "Furthermore, this result was achieved after strengthening the company's IBNR reserves by US\$10 million in line with the company's insurance business growth," said Trust Re's management.

The Bahrain-based reinsurer recorded gross written premium of \$259.4 million in 2009, a jump of 25% over the previous year. Net earned premium also increased, by 26% to \$118.2 million, although net underwriting profit declined 37% to \$12.6 million.

Net investment income in 2009 doubled to US\$6 million from the previous year, "mainly because of our improved foreign currency management," disclosed Trust Re. It made a foreign exchange profit (realised and unrealised) of \$2 million in 2009 against a loss of \$1 million in 2008.

In the past year, the Far East and Southeast Asia's share of the business has increased from 19% to 27%. The Arab region still accounts for most of the business at 34%, unchanged over the past year. Asia's share - comprising the Indian subcontinent, CIS and Russia - fell from 43% to 33%, while Africa increased its contribution slightly from 4% to 6%. Trust Re said it expects more growth to come from the Far East and Africa.

Trust Re: Financial results (US\$ mln)

	2009	2008
Gross written premium	259	215
Net earned premium	118	94
Net underwriting profit	13	20
Net investment income	6	3
Net profit	19	23

Conforming to technical objectives

In a region marked by excess capacity and cut-throat competition, there have been constant calls for adequate risk pricing. At the last GAIF Conference, reinsurers highlighted the need to raise the professionalism of cedants and make them understand the business of risks beyond fronting.

Asked if reinsurers in the region have kept up with their commitment to make the market more responsible in underwriting risks, Trust Re commented: "Some have, but some seem to be writing for top line growth and this has the effect of reducing pricing on some risks below sustainable levels."

Fronting is not a Trust Re objective, its management added. "Where we are asked to provide fronting we will only do so where the opportunity exists for the company to take quota share participation and the risk conforms to our technical objectives."

Trust Re said it remains committed to the bottom line. Unlike players which seek market share through competitive terms and conditions, "Trust Re refuses to underwrite business which does not conform to our Board's mandate to achieve growth only where it allows the company to achieve a technical profit."





GAIF springs to life at the Dead Sea

A series of colourful dances and songs marked the start of the 28th GAIF Conference on Sunday night, bringing the most important pan-Arab insurance conference back to Jordan after a 14-year hiatus. Lively camaraderie throbbed along to the beat of drums as delegates caught up with old friends and connected with new ones.



3rd Middle East Conference on Bancassurance & Alternative Distribution Channels

1 - 2 June 2010,
The Address Hotel, Dubai

Theme: "Banks and Insurers in Strategic Alliance to Boost Sale of Insurance"

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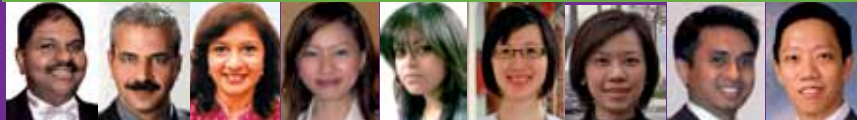
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The Middle East Insurance Review team



Sivam Subramaniam

Osama A Noor

Sheela Supplah-Raj

Alda Yeo

Ruqia A Salahat

Wong Mei-Hwen

Cynthia Ang

Ridwan Abbas

Charles Chau