

GAIF Daily

Jebel Toubkal, the highest peak in the Atlas Mountains, is located 63 km south of Marrakech

Monday • 21 May 2012

Published by:

MIDDLE EAST
INSURANCE REVIEW

Sponsored by:



Media Partner:

ASIA
INSURANCE REVIEW

Arab insurance rising

Finally GAIF is here!

The numbers have swollen by 12.5% to hit 1,800, underscoring the urgent pent-up need for a mass gathering for the Arab insurance market professionals. The last GAIF was exactly 24 months ago at the Dead Sea where a record turnout was hit.

The numbers attest to the lure of GAIF and its relevance to the Arab world as a platform flying the flag of the Arab insurance markets. And it is drawing the crowds not just from the MENA region but from more than 60 countries. The UK, with 180 delegates, is the second largest contingent. Then there are France, Switzerland, Germany, and India with 77, 30, 28 and 22 delegates respectively.

Within the GAIF markets, the UAE is the largest with 230 delegates, followed by Lebanon and host country Morocco with more than 125 each.

Everyone is coming because there is much to discuss as a region. The bilateral networking and business meetings at a common forum is also a big draw and it has become an altar for VIPs to be seen. The Arab Spring with its attendant claims relating to political risks and violence and questions of war and security are hot issues of the day. The appropriate theme of Arab world reforms touches on every aspect of the insurance industry in the region.

The Real Numbers

Despite global economic woes coupled with the Eurozone crisis

GAIF keeping pace

“GAIF has always been in pace with regional and international developments to boost the prospects for the Arab insurance industry. This year’s theme reflects the critical need for Arab players to revisit their strategies to ensure sustainability. Achieving consolidation, improving levels of capitalisation, and enhancing technical standards are vital.

With the General Conference in Marrakech and Morocco holding the next GAIF Presidency, there will be a better chance to bridge the gap between the eastern and western sides of the Arab world.”

Mr Abdul Khaliq R Khalil,
Secretary General, GAIF



Release the pent-up potential

“The choice of the theme “Insurance and the Arab World Reform” is a vital conscious choice to underline the importance of insurance as key economic pillar of society. Today, the insurance market has to cope with the changes that touch the Arab community while finding dynamic solutions to reduce the effects of political risk.

Delegates at GAIF Conference should discuss the impact of the macroeconomic threats to see how they can be turned into opportunities.

The networking and exchange of knowledge and expertise in Marrakech will help nurture the Arab insurers and establish procedures and initiatives to re-strategise, reinvest and expand local market potentials that remain underinvested. Marrakech can provide the impetus to unleash the opportunities both quantitatively and qualitatively.”

Mr Anass Houir Alami,
incoming President, GAIF



and the Arab Spring, the Arab insurance industry is on a strong growth path. According to the latest comparable global statistics available as extrapolated from *sigma*, insurance business in GAIF countries grew by 8.07% in 2010, outpacing the world average by 2.87 percentage points. The size of the market is still small at US\$21 billion (estimated to have touched \$23 billion in 2011) and accounting for less than 0.5% of the global pie. Hence, the GAIF insurance market still has miles to go to catch up to come apace with its share of the global GDP. In 2010, with a GDP of \$1,658 billion, GAIF markets accounted for 2.63% of the global GDP. Therein lies the deep conviction of the future opportunities of the Arab insurance world.

continued on page 2

Dialogue with the regulators



Here we bring a quick snapshot of some of the advice from the regulators around the region whom we polled to get feedback for the industry professionals attending this GAIF conference to keep the channels and dialogue with regulators always open.

A tough regulator is good PR for the industry

In a recent meeting with insurers from various countries, a Chairman of a company told me how tough the supervisor of his country with some surprising examples. But when I asked: "If the work of your supervisor will, in the end, hurt the insurance sector in your country or will it result in a solid and healthy sector?"; he instantly said: "To be honest, I think, in the end, his work will result in a solid and healthy sector".

Every country uses the methods of regulations and supervision that best suit its culture and economy. However, it is important to realise that in our rapidly developing insurance sectors, in the MENA region, the challenges are for both regulators and insurers. No success to insurers without proper governance, and no success to the sector without proper supervision.

In fact, the supervisor's reputation of strength is great publicity for the sector. I wouldn't say it is free publicity because there is a cost to supervision, but it is publicity that insurance companies do not need to pay for to promote themselves. If a supervisor has the reputation of being professional and capable of doing what he/she has to do, then insurance companies are seen as serious. If the supervisor is considered to be weak, it is the whole sector's credibility that is at risk..., and income with it!



Mr Walid Genadry

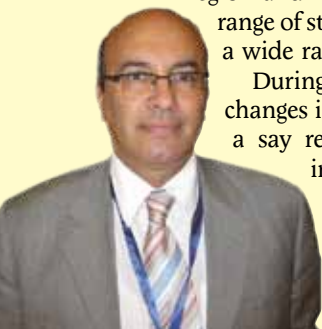
President, Arab Forum of Insurance Regulatory Commissions and Regulators & Head, Insurance Control Commission, Lebanon

Setting goals without fear

The GAIF conference is not just about building relationships and expanding your existing knowledge; it is about giving you an informative and practical view of how your company can pursue its goals without fear of unexpected risks.

The conference will bring together insurers, reinsurers, brokers, regulators, risk managers, lawyers and consultants from across the region and international markets which will explore a range of strategic and operational concerns that cover a wide range of essential topics.

During this historical stage and the tremendous changes in the Middle East, the conference will have a say regarding crisis management affecting the insurance industry.



Dr Adel Moneer

Deputy Chairman, Egyptian Financial Supervisory Authority

Arab insurance rising *(continued from page 1)*

Seeking the impetus

So how can GAIF act as the catalyst to unleash this potential? Can Marrakech create a historic outcome for GAIF and the Arab insurance market by spelling out the formula for success? Is there a deep dark secret? Four years ago, at the 27th GAIF in Bahrain, the stress was on making insurers risk takers rather than risk traders. At the 28th GAIF, the sky-high aspirations from the lowest point on earth, the Dead Sea, was strict underwriting discipline and urgent consolidation in the aftermath of the global financial crisis.

Insurance Pride Day

Politics and revolutions aside, there are many reforms taking place in the Arab world, and internet and hence, social media is one big arena agitating change. The insurance industry should capitalise

A force in fostering the Arab identity to fly

GAIF has been working hard to strengthen ties between Arab insurance commissions, while being active in increasing cooperation amongst Arab insurers to protect their common interests, and boost the Arab identity.

Since its set-up in 1964, GAIF remains a force to develop the regional insurance industry and encourage integration for the benefit of Arab insurance sectors in member countries. The Orange Card System, the various Arab insurance pools, Arabisation of insurance terms, and continuously holding seminars and insurance meetings, are some of GAIF's major achievements to be proud of.

Today, the Arab insurance industry needs an advanced strategy to be able to cross borders towards broader international horizons and become capable of speaking the language of global competition. This means GAIF must focus on improving the Arab insurance industry's performance to support the Arab economic development process and contribute in strengthening its status globally.

Mrs Fatima Mohammed Ishaq Al Awadi

Deputy Director General, Insurance Authority, UAE



A new phase that calls for new Ideas

The global economic crisis and the political changes that some countries of the MENA region are witnessing today put us all, regulators and insurers, in front of a new phase that prompts us to reconsider our regulations and business models and consolidate our efforts to deal with this critical stage for the benefit of the industry.

Regulators should develop a conducive environment for insurers to enable them to assume a better role in providing social protection. Regulators should also work on enhancing corporate governance among insurers as another essential tool for MENA insurance companies to improve their institutional performance and apply sound management practices at a time where this plays a major role.

An important decision many of the region's insurers will find vital is consolidation through mergers or acquisitions to constitute multiregional entities with larger portfolios which would empower them to face any unexpected challenges, innovate with more product offerings, retain more premiums and expand into new markets.

It is equally important that regional co-operation be enhanced especially in training and building the capacities of insurance staff so as to contribute the sector's development.

Mrs Rana Tahboub

Acting Director General, Insurance Commission of Jordan



on this mood to reach out to the public to tell them the benefits of insurance. The need for a common Arab-wide Insurance Day to observe the good that insurance can do to society including through corporate social responsibility is long overdue. Bahrain has fired the first salvo this March with its own national insurance day. Will others follow?

The stifling competition in the market needs to be tackled. Can Marrakech put a stop to it? Can it emphatically bring back enlightened self-discipline on risk adequate pricing? There are some already on that road to walk away from a business if the price is not right. Will more join the bandwagon? And can those seriously undercutting the market be shamed into getting serious?

Here's wishing that GAIF will rise to Get Arab Insurers Fit for sustainable survival when the flood gates are opened.

Knowing GAIF

Since its establishment in 1964, GAIF has chosen **Cairo** to be its permanent headquarters.

The headquarters agreement was signed in the Egyptian capital city in 1996.



Currently, GAIF has about **350** members, including insurance companies, associations, regulators and national unions across the region.



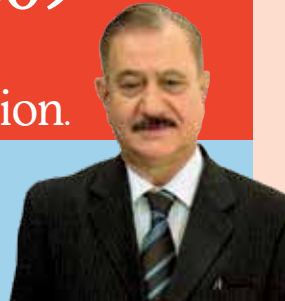
Similar to the European green card, the **orange card system**, is limited to motor third party liability, initiated by the GAIF.

The plan offers motor coverage in nearly 20 Arab countries, including Algeria, Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Palestine, Qatar, Syria, Sudan, Tunisia, Yemen, and the UAE.

According to Swiss Re's *sigma*, total insurance premiums of **12** GAIF member countries reached **US\$21.1 billion** in 2010, up 1.2% y-o-y.

The Arab Insurance Institute, a GAIF initiative, was established in **2009** with a paid-up capital of **US\$10 million**.

Mr Abdul Khaliq R Khalil has been GAIF's **Secretary General** since 1998.



Advertorial

Message from ACE

We are delighted to be attending the 29th GAIF Conference which we regard as a highly prestigious event and a wonderful opportunity to meet with all of the leading industry players across the MENA region.

For this reason we have decided to attend this year with our largest ever delegation of ACE personnel, being 18 in total.

ACE Group continues to flourish and by the end of 2011 had operations in 53 countries around the world, employing over 16,000 people with assets of US\$87 billion and gross written premium of \$21 billion. We are listed on the New York Stock Exchange and are a component of the S&P 500 share index.

Our S&P credit rating was raised to AA- in December 2010 and our A M Best rating is A+.

Despite the downturn in the global economy and the civil unrest we have experienced in our region, we remain extremely optimistic about the long term future of MENA and will continue to invest in the development of our business as appropriate.

We have a long association with the MENA region with operations based in Pakistan from 1948, a Saudi Arabia JV in 1974 and Egypt in 2001. We did not, however, have a strong regional focus or strategy and therefore established a Regional Head Office in Bahrain in 2007 supported by a regional management team, and since that time have also set up a strong underwriting platform within the DIFC.

We are now highly committed to the region, represented in five countries and employing 170 staff. Our longer term ambition is to expand our geographical presence across the region, and we are currently working

on a number of initiatives in this respect.

When we set up the regional structure in 2007, we decided to focus initially on core product lines where ACE has recognised global expertise and a proven track record. Our main focus to date has therefore been on these lines and most of the product line heads mentioned below are present at GAIF.

A core value within the Group is to empower regional operations with substantial underwriting authority to enable delivery of superior service, so each of the managers you will meet at GAIF are the true decision makers.

In addition to the geographical expansion mentioned earlier, we are also looking in the future to grow our product range and introduce new business lines and services into the MENA region from other areas of the Group where we already have significant expertise. We look forward to sharing ideas and views regarding prioritisation of such initiatives.

We are hoping to meet as many GAIF delegates as possible in the coming days to share ideas, reinforce relationships with our existing business partners and build new ones where we can identify areas of mutual interest and opportunity.

We would like to wish you all a very successful and enjoyable GAIF.



Mr Steve Dixon, Regional Managing Director, ACE Group MENA Regional Office

Lines of business

Oil and Energy (Onshore and Offshore)	Mojgan Khoshabi
Operational Power.	Mark Quinn
Property All Risks	Carlos Beltran
Sabotage, Terrorism and Political Violence	Carlos Beltran
Construction and Erection All Risks	David Walters (Global Head)
Marine	Ram Nair
Casualty	Shankar Krishnan
Financial Lines	Charles Pope
Accident and Health	Ghassan Wazen

Regional Manager

Underwriting – The key strategic driver for long-term survival of the industry

Mr Ashok Kumar Roy, Chairman-cum-Managing Director, GIC Re, makes a clarion call for a return to basics in underwriting, while being innovative and curious to keep up with clients changing needs.

Insurance is an industry based on the concept of “expect the unexpected”. The (re)insurers take upon the risks that may befall others in the future. Hence we need to “underwrite” these risks more prudently, more judiciously and with more knowledge.

Survive the trial by fires

We are in the business of paying claims so are bound to make losses sometimes. A bad year cannot and should not deter an insurer from the markets. History is replete with people and organisations that have survived and succeeded when they have persisted and remained true to their goals.

Our own sector has seen insurers/ reinsurers coming on board after catastrophic events! When rates were high, terms more strict and loss mitigation measures in place, then all eyes were on you! They survived, and survived with success only because they were able to innovate, adapt and change to meet the dynamically changing situation. They underwrote their own risks very well!

Get the basics right

Insurance underwriting is carried out based on several parameters that include the good judgment and analytical ability of the insurance underwriter. As a matter of fact, underwriting needs to be more critical and measured at the time of writing the risk rather than when the claim arises.

A reinsurance underwriter primarily rewrites at a macro-level the risks underwritten by the insurance underwriter at a micro level. To achieve a harmony in the entire symphony of client-insurer-producer-reinsurer, it is important that the reinsurance underwriter lays down strict and clear protocol which should necessarily involve several matrices.

Reinsurers need to ensure that their underwriting model is based on a wider perspective which, inter-alia, includes the analyses of different cedents, different markets and the underwriting results of these cedents and markets.

The reinsurance underwriter needs to identify and evaluate the reasons/factors that impact or can impact their underwriting results. This can happen only by a mature dialogue between all the components of the

insurance chain. As the insurance industry has grown over the decades what has been missing is a frank and enlightened debate between the various stakeholders. Such mature and considered dialogues and opinions should be a mandatory constituent of the DNA of the underwriters.

Be innovative and curious

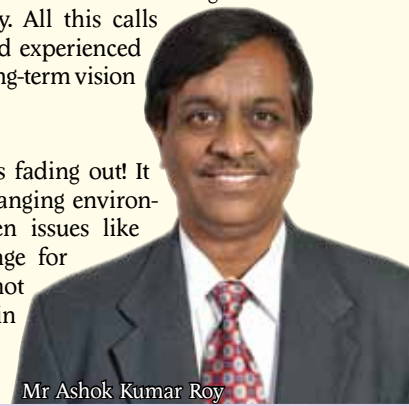
Though technology is expanding rapidly with software taking up the jobs of analysing data, and drawing conclusions, the ability of an underwriter to look beyond the current events cannot be replicated. It is the underwriter who can translate for his customers and chalk out appropriate solutions for the benefit of all stakeholders. They must show their adaptability and innovative approach.

The contingent business interruption losses in Japan and Thailand following the catastrophic events of last year have brought to fore the fact that an underwriter needs to be curious, inquisitive and possess the ability to see beyond the “seen”! Today the customers have become more differentiated and diversified. However, perhaps, the insurance industry that services them has perhaps failed to keep pace with this differentiation and diversification.

Yes, by and large, the insurance industry has been coping well with the changes, as was evident during the global financial meltdown. But the CATs of 2011 have underscored the awareness that things can go under weather very rapidly. All this calls for induction of skilled, trained and experienced manpower of underwriters with a long-term vision and a matching strategy in place.

Adapt to remain a force

Underwriters are not a tribe that is fading out! It only needs to adapt itself to the changing environment and take cognizance of even issues like global warming and climate change for which sufficient historical data is not available hence will continue to remain a major challenge for underwriters.



Mr Ashok Kumar Roy

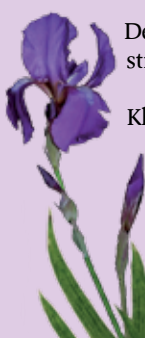
Revisiting GAIF 2010

Even as Arab insurance markets grapple with the problems of excessive competition as well as changing regulations, the 2010 GAIF Conference held at the

Dead Sea in Jordan called on the regional Arab market insurance industry to tap on their inherent strengths and achieve global excellence.

This visionary exultation was made by many, including Secretary General Abdul Khaliq R Khalil, who delivered the first address. He urged Arab insurers to embrace higher standards at a time when the world is looking at the region in the aftermath of the global financial crisis.

On the issue of overcrowding, Munich Re's CEO for Middle East & Africa Christian Kraut urged insurers to consider moving into niche segments to gain a competitive edge. “I don't see specialty insurers here. Here in these markets, everyone does everything. [But] not all lines are attractive.” Nonetheless the MENA region is still seen as attractive, more so if companies implement risk-adequate pricing.



GAIF Daily newsletter team



Published by:



www.meinsurancereview.com

Sponsored by:



www.ace-mena.com



www.gicofindia.in

Media Partner:



www.asiainsurancereview.com

(L-R): Editor-in-Chief: Sivam Subramaniam • Editor: K Dass • Journalists: Ridwan Abbas, Osama Noor, Cynthia Ang • Asst Manager, Business Development: Alda Yeo • Design & Layout: Charles Chau