

# GAIIF Daily

Day 3

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## A new respect for risks

With so much potential, the Arab insurance industry, in the wake of the Arab Spring, the financial crisis and the current global economic woe, can turn the promise of growth into reality with a new respect for risk – one that is more sensitive to the environment and more responsive to the needs of the market place.

It is all about the basics: to understand the exposures with a proper set of risk management tools with a portfolio management view rather than single risks, said Mr Salvatore Orlando, Head of Mediterranean Europe, Middle East, Africa and Latin America, Partner Re Global, in the second panel of the day on Growth Opportunities & Risk Management.



Mr Salvatore Orlando

Mr Zouheir Bensaid, Chairman of RMA Watanya Morocco, said Arab insurers should respond positively to the challenges of the day to create a brighter future with more transparency and effective risk management. Spelling out the vital ingredients for sustainable success, he said these included ensuring operational excellence and being responsive to the higher expectations of today's customers where risk aggregators dominate. Calling for

stricter regulations and greater prudential surveillance, he said Arab insurers could easily rise to meet advanced international standards. But first, they must expand their book of business and write more risks with discipline.

In urging insurers to better understand the risks, Mr Orlando also said that the Board must define the risk appetite in respect of the book of business. He made it seem easy with the dictum that it is about trading tail risks and volatility risks against the returns to determine the risks are taken and retained on the balance sheet. He emphasised that the industry was buffeted by a spate of challenges, including climate change, regulations and deregulation, changing stakeholder value thinking with increased pressures on higher returns, capital market volatility and the economic environment.



## Social unrest: Spelling out the terms

The Arab Spring which brought the direct insurers and reinsurers in Tunisia and Egypt to different sides of the fence remains a fertile source for case studies to draw lessons to move forward especially now when demand for political risks and political violence covers is increasing.

The key message from both speakers at the session on Repercussions of the Arab Spring yesterday was that the terms of what is covered and what is excluded must be clearly spelt out.

Mr Abd El-Raouf Kotb, Head of the Insurance Federation of Egypt said they had extensive meetings with insurers and reinsurers to reach an amicable solution and recommended certain guidelines to the insurers to settle the claims.



Mr Abd El-Raouf Kotb



Mrs Lamia Ben Mahmoud

Mrs Lamia Ben Mahmoud, Chairperson of Tunis Re, called for a correction of market practices to find a solution to provide overall cover from movement of protests all the way to a civil war. However, this will require intervention and support of the government also reiterated the importance of having more precise definitions which reduces the tendency for varied interpretations.

She said: "Demand for political violence is on the increase so we need to provide a level of coverage commensurate with this. We have to work on what are the acceptable risks along with the right pricing methodology."

In summarising the wide ranging discussions, Mr Khaled Saoud Al-Hasan, CEO, Gulf Insurance Co Kuwait, said insurers and reinsurers should share experience to arrive at a better understanding of the risks faced in the social unrest and to better price the risks in line with the coverage extended.

Claims paid out to date have reached US\$160 million for Egypt and US\$100 million for Tunisia, where the prevailing view is that the toppling of the two governments was not a revolution.



Mr Khaled Saoud Al-Hasan

## Hard market or soft market?

Don't wait for a hard market. Just find ways to respond innovatively to the dynamics of the market, advised Mr Orlando.

With 2011 being the "annulus horribilis for reinsurers" that saw more than 500 CATs leading to some US\$400 billion in economic losses of which about \$100 billion were insured losses, Mr Orlando said the average annual loss for the period 2007 to 2011 was in the region of \$47 billion to \$50 billion, compared to \$12.2 billion in period before 1987. Hence, it is not an exception but a trend!

**Q: What is/are the line(s) of business with the biggest potential?**

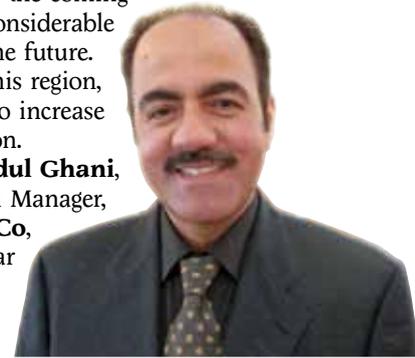


The future for MENA insurers is for personal lines and covers which cater for the individuals in areas such as life, medical, travel. Focussing on insuring small to medium enterprises is of great importance for the next stage as well where most economies are towards expanding in that field.

**Mr Imad Abdel Khaleq,**  
Managing Director,  
**Jordan Insurance Co,**  
Jordan

Family takaful, including life, personal lines and most importantly savings for the coming generations, are going to yield considerable business in MENA markets in the future. Considering the peculiarity of this region, takaful will be the best means to increase the region's insurance penetration.

**Mr Ali Ibrahim Al Abdul Ghani,**  
General Manager,  
**Qatar Islamic Insurance Co,**  
Qatar



Engineering insurance could be one of the promising lines in our region, especially with the infrastructure and reconstruction projects which are expected to continue expanding in the coming years.

**Mr Tarek Hayel Saeed,**  
General Manager,  
**United Insurance Co,**  
Yemen



There is great untapped potential in the liability side of business in the MENA region, and it is expected to remain as one of the most profitable lines as it has limited risk exposure in our region.

**Mr Fahad Al-Hesni,**  
CEO, **Saudi Re,**  
Saudi Arabia



Medical insurance will expand exponentially because more countries are making it mandatory. Construction covers will also grow at a rapid pace especially at the GCC area.

**Mr Karim Jabri,**  
COO,  
**United Insurance Brokers (UIB), UAE**



The Arab region is increasingly becoming in need of covers protecting against catastrophic risks and political unrest. Over the past 12 months, the accidents and unrest which accompanied the Arab Spring have prompted the need for insurers to start thinking of changing their offerings.

**Mr Muawia M Abbasher,**  
General Manager, **Middle East Insurance Co,** Sudan



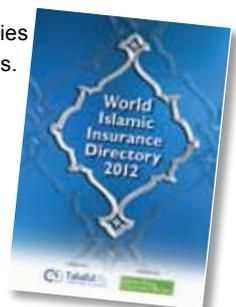
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# An insurance think-tank for the region

The Middle East Insurance CEO Club (MICC) was launched to serve as a mouthpiece for the MENA insurance sector. Led by a group of proactive industry leaders, the Club aims to fill the knowledge and resource gaps in the region and offer a serious networking platform to exchange ideas and share topics of concern while finding active solutions.

The pioneering 12 members had first convened on the sidelines of the last GAIF Conference in Jordan, before the idea came into fruition when the Club was launched on 1 October 2010 on the hallowed grounds of the Chartered Insurance Institute in London.

In that time, the MICC has hosted a special conference on Political Risks and Terrorism in response to the social unrest and tensions arising from the Arab Spring last year.

It also recently released results of an extensive survey on "The Insurance Potential in MENA and the Way Forward".

Internally, the MICC has also conducted a yearly strategic seminar series for its members.

An exclusive by-invitation only Club, the MICC now comprises 17 members from seven Arab markets.



MICC club meeting at GAIF

## Takaful figures

In 2010, global takaful contributions grew 19% to \$8.3 billion.

As of March 2012, there are 195 operators & 14 retakaful operators across 34 jurisdictions.

Contributions from GCC countries amounted to \$5.68 billion while those from Southeast Asia were \$2 billion.

Malaysia has the highest average contribution (premium) per operator at \$141 million.

Only Malaysia, Bahrain & the UAE have dedicated takaful legislations.

Global family takaful contributions are estimated to increase 250% to \$4.3 billion in 2015.

Takaful operators ranked rising competition, evolving regulations & shortage of expertise as the 3 biggest risks for takaful companies, according to Ernst & Young's Takaful report for 2012.

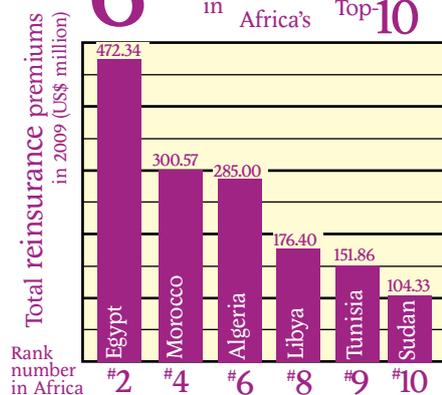
## North Africa: Reinsurance & insurance

### Reinsurers in North Africa

Year established	Reinsurer	Country	Ownership
1934	MISR	Egypt	State
1960	Société Centrale de Réassurance	Morocco	State
1973	CCR-Algeria	Algeria	State
1974	National Re Sudan	Sudan	State
1981	Tunis Re	Tunisia	State
1985	Best Re*	Tunisia	Private

\*headquarters relocated to Malaysia in 2011

North Africa's 6 countries in Africa's Top-10



## News in brief

### GlobeMed launches new operations

GlobeMed, a wide regional TPA network, has announced opening new branches in Egypt, Jordan and Palestine yesterday at the GAIF 29th General Conference in Marrakech. Mr Samir Nahas, Chairman of GlobeMed Jordan, told *Middle East Insurance Review (MEIR)* that this step is part of GlobeMed's expansion plans in the Arab region. "We are now present in 10 countries serving over 2 million people, and this expansion is part of GlobeMed's commitment to serve the region with top-of-the-line TPA and medical care services. Our future plans include branching out to other promising markets including Iraq, Libya, and Tunisia, hopefully in 2013."

### RSA combines global specialty businesses

Leading global insurer RSA has re-organised its specialty businesses around the world into three key divisions to join up brokers and customers who are seeking global expertise and capacity. As of 1 June, all RSA regional specialty business will come under the insurer's Global Specialty Lines (GSL) division, which currently writes around £1.2 billion of premiums globally.

### Bahrain: BIBF inks risk management training deal with GARP

The Bahrain Institute of Banking and Finance (BIBF) has signed a MoU with the Global Association of Risk Professionals (GARP) for collaborating to market, train and certify professionals in risk management. The MoU provides BIBF exclusive rights to market and train eligible candidates in Bahrain for sitting GARP's Foundation of Banking Risk exams.

### Bupa launches health insurance in Bahrain

Bupa Insurance, a global provider of insurance services, has partnered with Al Ahlia Insurance Co to launch a new health insurance in Bahrain. Mr Tim Slee, Bupa's International Sales Director, said the agreement with Al Ahlia opened the doors to new and exciting opportunities, while Al Ahlia General Manager Tawfiq Shehab added that the partnership with Bupa would help his company enhance its product range and customer service.

### IIS 48th Annual Seminar

Rio de Janeiro, Brazil, 17 – 20 June 2012

The IIS Seminar is renowned worldwide for a first-rate programme with leading industry speakers. The annual seminar, which attracts 500 insurance professionals from over 50 nations, is attended by executives, regulatory authorities and academics in insurance. The programme includes presentations from chief executives from leading insurance companies around the world, original and unpublished industry research and the presentation of the Insurance Hall of Fame Award, considered the most prestigious award in the insurance industry.

For more information, visit [www.iisonline.org/seminars](http://www.iisonline.org/seminars)



# La nuit sous les étoiles

(Night under the stars)

To cool off the first hectic day at GAIF, Nasco Karaoglan hosted a sumptuous Moroccan dinner under the stars. It was a memorable night with delegates from all over the world exchanging cards and conversation.



## GAIF 30th returns to launching pad

The Insurance Federation of Egypt (IFE) will host the 30th GAIF Conference in Egypt, returning to the place where the first GAIF Conference was held back in 1964. In 1990, GAIF celebrated the Silver Jubilee in Egypt, and it was also the last time the General Conference was held there.

“It is our pleasure to have the opportunity to celebrate the 50th anniversary of GAIF in Egypt where this huge pan-Arab insurance organisation was first launched. Over these years, the GAIF initiative has grown

to become a true foundation for Arab insurers and we welcome all our Arab and international friends and partners to join us in marking this important milestone,” said Mr Mr Abd El-Raouf Kotb (far left), President of IFE & Mr Allaa EL-Zoheiry (left), Egypt Representative at GAIF.



Cairo, Egypt



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