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The future looks bright for MENA

Prospects in the region came under the spotlight yesterday and it was clear that while, like elsewhere, the MENA insurance industry has not escaped the effects of the global financial crisis, the impact has not been uniform throughout the region and there are still attractive areas for investors.

Analysing the impact of the financial crisis on the Arab region, Mr Abdul Khaliq R Khalil, Secretary General of the General Arab Insurance Federation (GAIF), said that insurance premiums, which amounted to US\$15 billion in 2007, could be hit by falling GDP due to fewer oil exports, lower demand and a slower development in projects. All these factors could influence insurance companies in one way or another, whether in terms of premiums, investment yields or stock prices.


 Mr Abdul Khaliq R
Khalil

He reminded the audience however of the importance of the Arab world with its 326 million population in 2007, 10.2% of the world's land area, 50% of global oil reserves and 25.8% of natural gas reserves. Of these, he felt that the most important asset the region owned was its population, which had increased 2.4% in 2007.



Mr Frederick Sicre

Adding to this optimism was Mr Frederick Sicre, Executive Director for Abraaj Capital in an earlier speech looking at the wider region of MENA and South Asia (MENASA). Citing statistics from various sources, he noted that about 175 million people are expected to join the workforce in this region in the coming decade.

Insurance demand has also been spurred by moves in the region towards mandatory insurance, better public awareness and regulatory reforms.

Mr Sicre said that high levels of infrastructure investment and government spending to diversify economies has led to more than \$2.6 billion worth of projects planned in the GCC alone. Moreover, the generational change in the leadership of several MENA countries has set the stage for the modernisation of local economies.

Mr Abdul Khaliq named two areas within insurance that were particularly promising. The first is life insurance, which had grown 26.4% in 2007 and demonstrated great profitability because of the young population and weak social security

structure. Agricultural insurance is also another bright spot. "This is a vital sector which is exposed to great risks," he said. "It is still not a priority in most countries, except a few."

Key drivers for future growth

Casting his eyes toward the future, Mr Abdul Khaliq pointed to a few areas which could further boost growth. One is regulations – "we need to support the regulatory framework and develop legislations in order to develop the insurance industry, especially life, and encourage consolidation", he said, referring to the fragmented markets that are common to the region. He also called for more tax incentives to encourage insurance growth and mergers between companies, while adding that national associations also had a vital role to perform in spreading awareness.

It is not just conventional insurance, but also takaful and pension funds, which will play an important role. Highlighting the importance of human capital development, Mr Abdul Khaliq said more national training institutes should be developed and these should build ties with advanced countries.

In terms of marketing, he urged companies to reconsider the role of brokers, "the backbone of insurance", and to cooperate with banks to sell products through their networks.

Bullish on the region

Rounding off, Mr Abdul Khaliq said that there are promising prospects for the insurance markets of Arab region which can be fostered by decision makers and can be supported by solvency and accounting standards which will help in risk mitigation, and effective supervision.

Mr Sicre was equally positive, saying that MENASA looks set to be the second fastest growing region in the world, after China, over the next four years, with a CAGR of 4.8% in real GDP. Even MENA alone will record a CAGR of 3.4%. MENASA is also expected to overtake the US as the world's second largest economy by 2050. However, it will need to clear several hurdles such as geopolitical instability, heavy oil dependence and climate change, in order to realise these visions.

Insurance leader Inokuchi calls for cat pool to help poor

With global warming and the rise in natural catastrophes, Mr Takeo Inokuchi, Senior Adviser of Mitsui Sumitomo Insurance Co and Insurance Hall of Fame inductee, has called for the setting up of a special cat pool in Asia to offer real protection to those who cannot afford to buy insurance, and yet are the most affected by these disasters. This is an ambitious call which puts the real role of the insurance industry's corporate social responsibility at the very forefront. It is not an easy process, but the first step is the call. Now the ball is in the court of all CEOs reading this proposal.

The problem Asia is experiencing an increasing number of nat cats, and was the continent worst hit by such disasters in 2008. Snow storms whipped through China in January causing extensive damage and transportation disruption for thousands of travelers; the Sichuan Earthquake killed over 70,000 in China; and in Myanmar, more than 85,000 people were killed and 54,000 are still missing at the hands of Cyclone Nargis.

The solution Setting up a catastrophe fund to monetarily help victims get back on their feet, and to educate and bring insurance to the needy masses.

The proposal Mr Inokuchi has proposed the creation of an **Asian Catastrophe Fund (ACF)**, a regional risk pooling mechanism to cover natural disasters in Asia. ACF aims to have each participating country set up a pooling system and jointly cede the risks to the 'Pool of Pools'. Eligible countries will be from Asia and the beneficiaries will be the national and local governments of these countries.

A detailed description of ACF and how it works can be found in the May, June and July issues of Asia Insurance Review in a three-part article.

You can hear Mr Inokuchi deliver the keynote address at the 8th Asian Catastrophe Conference in Taipei on 2 July 2009.

For more details, check out www.asiainsurancereview.com



Mr Takeo Inokuchi

Insurers urged to reflect a positive image

With the image of the insurance industry being a hot issue with varying degrees of assessment that the image was "small", "bad", "unresponsive", "exploitative", "indifferent", "positive and caring", the IIS gathering heard the views of four journalists on what they thought the image of insurance was. There were several issues raised, including the question whether image mattered at all. But the forthcoming questions from the floor was a clear indication that reputation is important, and the verdict was that the insurance industry must do more to actively engage the public, the regulators, decision makers and politicians. As food for thought, we bring you a quote from each of the journalists.

"In the insurance industry, we are far more familiar with language common to us, but would sound threatening to the customer and lack the kind of reassurance they would prefer to get."

Mr David Banks,
Editor of *Arabian Insurance Review*

"You have to manage [a policyholder's] expectations carefully at the beginning when the insurance product is bought to clearly indicate what the exclusions are, indicating the level of benefits. Don't over-promise and under-deliver."

Mr Hussain Hadi,
Editor of *Policy Magazine*

"The insurance industry needs to help itself. It does not always think about the actions it takes and what it will look like to the public."

Mr Michael Loney,
Editor of *Reactions*

"Each insurer should go out to educate the consumer on the benefits of insurance and put a real value on the 'peace of mind' that insurance sells. Insurers must celebrate the claims experience and be ruthless in exposing fraudsters but always be ready to pay legitimate claims."

Mr Sivam Subramaniam,
Editor-in-Chief,
MiddleEast Insurance Review and Asia Insurance Review



(L-R) Mr Victor Apps, Mr David Banks, Mr Hussain Hadi, Mr Michael Loney, Mr Sivam Subramaniam

Meet the IIS ladies

Handling registrations, hotel bookings, sponsorships and endless enquiries are all in a day's work for this important team of ladies who work tirelessly behind the scenes at every IIS Seminar, looking into every detail to make sure the annual event runs without a hitch. So at the next opportunity you have, say a word of thanks to (L-R) **Colleen McKenna-Tucker, Elisabeth Johansson, Daphne Wu, and Jennine Eastmond** for a job well-done.

Brought to you by AM Best

QUOTE of the day

How can credit agencies rate a start-up?

Years ago, AM Best required a company to have at least five years of experience before obtaining a rating. Since the mid-1990s, that requirement no longer exists, and we will assign a rating to any company willing to interact and share information with us. We feel it's important to get our opinion to the marketplace and that it is a positive contribution to the overall health of the insurance industry to rate start-ups.

Of course, any new enterprise carries a higher degree of uncertainty and greater execution risk than an established business.

This means that a new start-up must help mitigate these concerns by satisfying a number of requirements. These range from having a clearly defined five-year business plan to demonstrating that management has a successful track record related to the new venture's core business.

The new business must be well capitalised, and board members, investment bankers, actuaries, strategic investors and other advisers must be available for discussion as part of the rating process.

Ms Yvette Essen, Head of Market Analysis

How well do you know CATs?

1. What was the total insured cat losses in 2008?
2. Which was the most costly year on record for the insurance industry?
3. Name the most costly insured loss in history.
4. Which continent was worst hit by nat cats last year?
5. What kind of catastrophe created the most insurance losses – man-made, weather-related or maritime?

Test your knowledge of CATs and stand to win attractive prizes! The first five delegates to present the correct answers to any of the IIS newsletter team members will receive a copy of Asean Insurance Directory 2009.



Shakun Min Mei-Hwen Osama Erica

Jordan: A Gateway to MENA

We take a look at how Jordan is shaping up as a choice hub for international players to set up their regional operations.

While the financial crisis has not spared the Middle East and North Africa (MENA) region, strong fundamentals and sizable currency reserves have helped cushion the region from the shock, said the IMF. In fact, it is likely to fare better than other regions, as oil exporters can draw upon their large reserves to mitigate the impact of the slowdown.

Besides petrodollars, real estate and infrastructural projects have helped to boost the region's insurance sector, which grew 22% in 2007. The potential is underscored by the low insurance penetration of around 1%, compared to a world average of 7.5%. Penetration is even lower for life insurance, contributing only 0.17% of the world's market share.

Jordan is positioning itself as a regional gateway to these opportunities with its political stability, geographical location, integration with the global economy and free market rules. Its insurance sector, which expanded 14% last year to US\$470 million, has always had room for reliable providers who are willing to grow professionally.

The Insurance Commission (IC), set up in 1999, is considered by many as the Jordanian market's best advantage. Under its guidance, the insurance industry has over the past 10 years made a triple jump in capital size; a double gain in investments; a double rise in premium; a double increase in pre-tax profits; and a rise in insurance penetration from 1.37% to 2.54%.

Dr Bassel Hindawi, Director General of the Insurance Commission, said: "We offer Jordan as an opportunistic and efficient market in the region for insurance and reinsurance services, and other related services. Aside from strengthening the framework and beefing up the skills set, we will undertake the necessary efforts to promote and attract innovative operators. This will inject greater market competition in terms of pricing, product innovation, customer services, and operational efficiency. We hope that this process will ultimately better position Jordan onto the world insurance map and as a gateway to our region."

Jordan as a regional centre

Political situation

- ▲ Stable and secure
- ▲ Working towards greater democracy and liberalisation

Geographical location

- ▲ Strategically connected to Asia, Africa and Europe
- ▲ Accessible to many regional markets in the Levant and North Africa

Population

- ▲ 6.1 million
- ▲ Relatively young
- ▲ Among the most educated and empowered in the Middle East
- ▲ Strong female participation in the workforce
- ▲ Large pool of high-calibre intellectual and professional expertise
- ▲ Ongoing training of some 12,000 people in the financial services sector
- ▲ Increasing numbers of insurance professionals seeking continuous training and obtaining accredited professional qualifications

Trade

- ▲ A member of the World Trade Organization
- ▲ FTAs with Europe, US, Singapore and greater Arab region
- ▲ Several bilateral agreements

Business-friendly

- ▲ Reasonable costs for setting up businesses
- ▲ International investors enjoy perks such as tax holidays, income tax exemptions and unrestricted transfer of capital and profits
- ▲ Regional offices and offshore firms enjoy the same privileges accorded to local businesses
- ▲ Full foreign ownership of insurance and reinsurance companies
- ▲ The Aqaba Special Economic Zone, a liberalised, low-tax, multi-sector development zone, offers world-class infrastructure
- ▲ Jordan is home to over 1,070 international businesses and regional offices, and 550 registered commercial agents representing international firms



Jordan Gate Towers under construction

PRESS CONFERENCE

Forging ties between MENA and the world

Holding the IIS Seminar in this region has brought it closer to the world and given CEOs elsewhere a first-hand knowledge of the markets here, said HE Dr Bassel Hindawi, Director General of the Insurance Commission of Jordan at a press conference on Monday.

He added that there are promising prospects in the region as the penetration is low at only 1%. As for Jordan, its insurance industry grew 13% y-o-y in the first quarter of this year, and has the attraction of having no restriction on foreign ownership for companies.

Mr Patrick Kenny, President and CEO of the International Insurance Society said that after 45 years, it had been time for the IIS to hold its annual conference in the MENA region and the reason for choosing Jordan is because it was right in the middle of all the emerging markets. Dr Hindawi, who has been attending the annual conferences faithfully for the past six years, has been actively promoting Jordan as the gateway to the MENA region, he added.



(L-R): Mr Bob Hartwig, Mr Brian Duperreault, H E Dr Bassel Hindawi, Mr Geoffrey Bell, Mr Patrick Kenny

Salam Amman, Hola Madrid!

At yesterday's awards gala dinner, Mr José Manuel Martínez, Chairman of Spanish insurance company Mapfre invited delegates to the capital of Spain for the next IIS Seminar in June, dangling the prospects of clement weather and beautiful scenery – which may be good enough reasons to make the trip.



Mr José Manuel Martínez



Glitter of fame

New relationships blossomed and old ones were renewed over cocktails yesterday before the Awards gala dinner. At the prestigious ceremony, winners were feted for their contribution to the insurance industry, and two new laureates stepped into the prestigious Insurance Hall of Fame. It ended with a bang of traditional dance; delegates were then treated to delectable desserts at the terrace while talking the night away.



Insurance Hall of Fame Laureates



Sir David Rowland, Past Chairman, Lloyd's of London, UK, inducted into the Insurance Hall of Fame

Mr Mark Byrne accepting on behalf of his father, **Mr Jack Byrne**, Retired CEO, White Mountains Insurance Group, Fireman's Fund Co and GEICO, USA.



H E Dr Bassel Hindawi receiving the Commissioner General Award



Mr David H Atkins, Chairman Swiss Reinsurance Canada, receiving the Distinguished Service Award



Mr Patrick W Kenny receiving the IIS Leadership Award



Dr Harold D Skipper, Jr, Former Chairman of the Department of Risk Management and Insurance at Georgia State University, was awarded the John S Bickley Founder's Award Gold medal for excellence.

Honor Awards

Research Awards



Research awards: (L-R) Dr Robert E Hoyt, Ms Hale Abdul Kader, Mr Michael B Adams, Dr W Jean Kwon

Upcoming Events

10th Singapore International Reinsurance Conference
8-11 November 2009, Singapore
Theme of "Global Financial Crisis: Asia's Position in the Reinsurance Cycle"

28th GAIF General Conference
17-19 May 2010, Dead Sea, Jordan

Mark your diaries!

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