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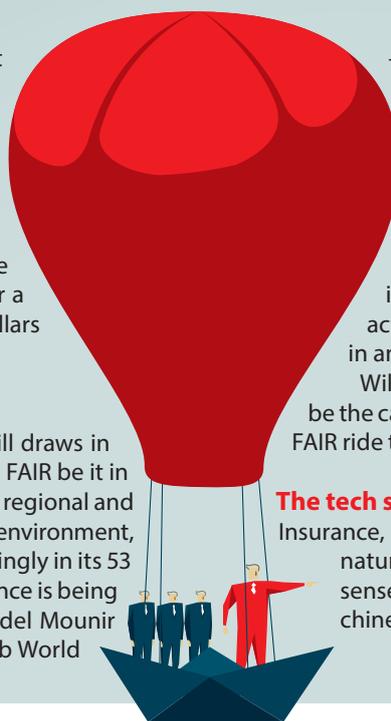
Ferrying FAIR to the New World

This 25th FAIR Conference has a punchy yet ambitious theme of "Insurance Transformation". Can FAIR seize the challenge to make that leap to be a global force? Can it reach greater heights in line with the FAIR markets accounting for almost 20% of global premium pie?

FAIR still has more political mileage and clout than actual business on the ground, though the three FAIR Pools and one Syndicate together account for a significant figure of just less than half a billion dollars in premium.

The float of political goodwill

FAIR has wide appeal. Each biennial conference still draws in the numbers, attesting the importance attached to FAIR be it in Asia, the Middle East or Africa. This year, despite the regional and global geopolitical tensions and the tough business environment, some 800 delegates will turn up in Bahrain. Interestingly in its 53 year-history, this is the first time that a FAIR Conference is being held in a GCC market where Secretary General Abdel Mounir says almost 50% of FAIR members are from the Arab World



– another draw for this FAIR.

FAIR has tradition, culture, and diversity. Aside from its obvious advantages – the power of meeting and networking – the real belief in FAIR is the cardinal quest for effective regional co-operation even in the era of globalisation. The various Pools and Syndicate are concrete achievements of that golden FAIR dream that one day the FAIR markets representing more than two thirds of the world's population will actually come together to be a force to be reckoned with in any insurance arena.

Will it happen? Will transformation take place? What will be the catalyst for this big leap? Is technology the answer? Can FAIR ride the tiger of disruptive innovation to make heads turn?

The tech speed boat

Insurance, being data-intensive and data-sensitive, has been a natural draw to technology that has the means to make sense of Big Data and to even use these data to teach machines. From disruptors, InsurTech start-ups are evolving to

Continued on page 2

Welcome to Bahrain!

"It is a great source of pride for me to see the large number of guests coming to Bahrain this year. The 25th FAIR Conference takes place at a critical stage of the Afro-Asian and global insurance industry where providers are required to adapt to the fast-paced technological change and be able to cope up with the accompanying socio-economic trends. Therefore, and in our goal to remain abreast with the global norms, we gave a special attention to the technological era we are going through nowadays as reflected in our conference theme "Insurance Transformation in FAIR-Land".

We are positive that with the accumulation of experiences this Conference brings together, we can come up with a better perception of how to take advantage of technology and overcome its challenges for the benefit of our Afro-Asian insurance societies.

I look forward to this unique experience and am positive that the outcomes will add value to our industry."



Dr Adel Mounir
Secretary General of FAIR

"FAIR has always been close to my heart ever since I joined the insurance industry many years ago. As an Egyptian, and with FAIR's General Secretariat headquartered in Cairo, I always felt that we have an instrumental role in ensuring the continued success of this organisation and that Egypt is indeed ideally positioned, geographically and culturally, to bring the two great continents of Africa and Asia closer together.

The past six years have given me a real opportunity to actively contribute towards the operations of FAIR. I was President of FAIR between 2011 and 2013, followed by two years as Vice President and in 2015 Egypt, once again, hosted the FAIR conference and celebrated the 50th anniversary and I was honoured to become President for a second term.

As President, I focused on coordinating with and empowering the General Secretariat to achieve the FAIR goals. Achievements worth highlighting include amending FAIR's statute and bylaws, in particular, the constitution of the Executive Board to ensure a more equal and balanced representation of the member countries and our two continents. We have also agreed to form a Steering Committee to serve for the remaining period of the Executive Board.

I thank all members for their continued support and urge them not to forget the importance and unrealised potential of this organisation that could and will achieve much as long as the members dedicate their time and efforts. Finally, I wish Bahrain and FAIR's new President, Mr Yassir Albaharna, a successful two years."



Mr Abd El Raouf Kotb
Outgoing FAIR President

Have a fruitful FAIR in Bahrain

"Bahrain has always been a pioneer in several initiatives in the Arab world, and hosting FAIR Conference for the first time in the GCC is another noteworthy milestone.

Beside being a base for regional branches of many international reinsurers, Bahrain is home to two of the reputable and highly rated reinsurance companies, namely: Arab Insurance Group (Arig), and Trust International Insurance and Reinsurance Company (Trust Re). Bahrain is also home of one of the Federation established entities: FAIR Oil & Energy Insurance Syndicate. The reinsurance sector generates in total more than US\$1 billion.

This event is the first conference of FAIR ever to take place in the Gulf region. We are proud and honored that Bahrain, our friendly island was chosen to be the venue of this conference, which is one of the most widely attended conferences in the Afro-Asian region. Furthermore, Bahrain is a perfect destination to mix business

with pleasure. So during your stay, you are invited to explore the country's rich heritage from the remains of the ancient Dilmun civilisation and cultural cities to the modern malls, the vibrant souks and entertainment.

The Organising Committee has made great efforts to ensure for our 800 guests from 62 markets to benefit from this special occasion and take advantage of the facilities the Conference provides as an efficient platform to build new relationships and further strengthen their business ties.

Welcome to Bahrain, and we promise you an unforgettable fruitful experience."



Mr Nabil Hajjar
Chairman of the Organising Committee,
25th FAIR Conference

Ferrying FAIR to the New World *(from page 1)*

be essential complementary partners to insurance. But unlike start-ups that can jump in to make changes whimsically, established firms have massive legacy issues, and they cannot make lemonade of their business with one squeeze.

So how can FAIR come in to help the members? Can FAIR serve as the trusted common supporting services hub for its members where data can be exchanged and used freely? Can FAIR provide the vital security and checks needed to protect data? Can they keep the hackers away?

In technology, the regional grouping will get global. Technology knows no barriers, and it is unstoppable.

The new Uber drivers

As always there are more questions than answers, but they set the direction for the winds to blow when one seeks transformation. FAIR, with its tech-savvy young workforce, perhaps already has the necessary talent to start this drive to digital transformation. Invest in new talent, and let them lead.

Though the journey is long, perhaps in Bahrain, marking FAIR's 25th Conference, the Federation should take a pledge to get a leader to spearhead the "transformation". Any takers?

The real appeal: Dollars and cents

At the end of the day, the real appeal of FAIR is the reality that there is business to be exchanged and money to be made. There must be awareness that there is an advantage going the FAIR-way be it through business exchanges or training. Membership must have real privileges that members need and want. Joining FAIR is for mutual rewards and not just to be part of the grouping as a CSR in the name of helping the regions.

Lastly, doing it the FAIR-way must be able to stand up to world standards too.

That is what the transformation should be about. FAIR is still growing: 10% growth this year to a presence in 53 markets says the Sec-Gen. So land ahoy!

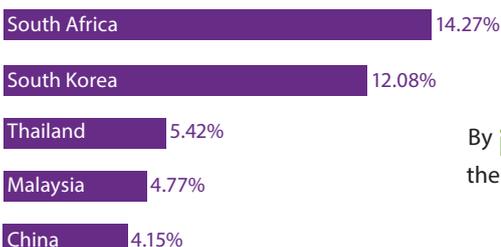
Figuring out FAIR



FAIR has **265** member companies
from **53** countries.

By penetration rate

the top 5 FAIR countries are

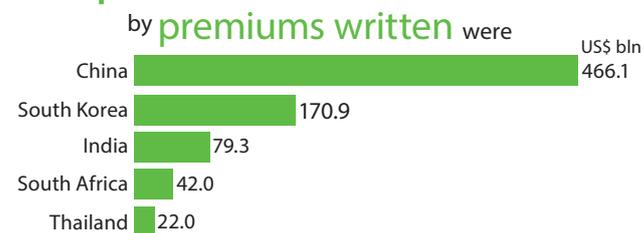


By insurance density

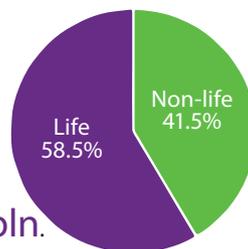
the top 5 FAIR countries are



In 2016, the top 5 FAIR markets



In 2016, total premiums written in FAIR markets reached **US\$894bln.**



Source: Swiss Re's sigma and FAIR

Disruption of insurance? Don't get carried away

Dr Kai-Uwe Schanz, Chairman of **Dr. Schanz, Alms & Company** cautions against the disruption debate raging across the global insurance landscape taking on a life of its own, and says it's time to pause and recap a few facts.



This is a slightly contrarian piece as it pours some cold water on the disruption hype that appears to have taken hold of the global insurance community.

Let us start with the ubiquitous notion as such. "Disruption" is worn out to an extent that any clear meaning has all but evaporated. In addition, it is not new and hardly different from Joseph Schumpeter's definition of "capitalism", coined in 1942, as a permanent process of "creative destruction". Many proponents of disruption may never have heard about Schumpeter but will certainly take note of Jeff Bezos' view: "At Amazon, we've had a lot of inventions that we were very excited about, and customers didn't care at all. And believe me, those inventions were not disruptive in any way. The only thing that's disruptive is customer adoption."

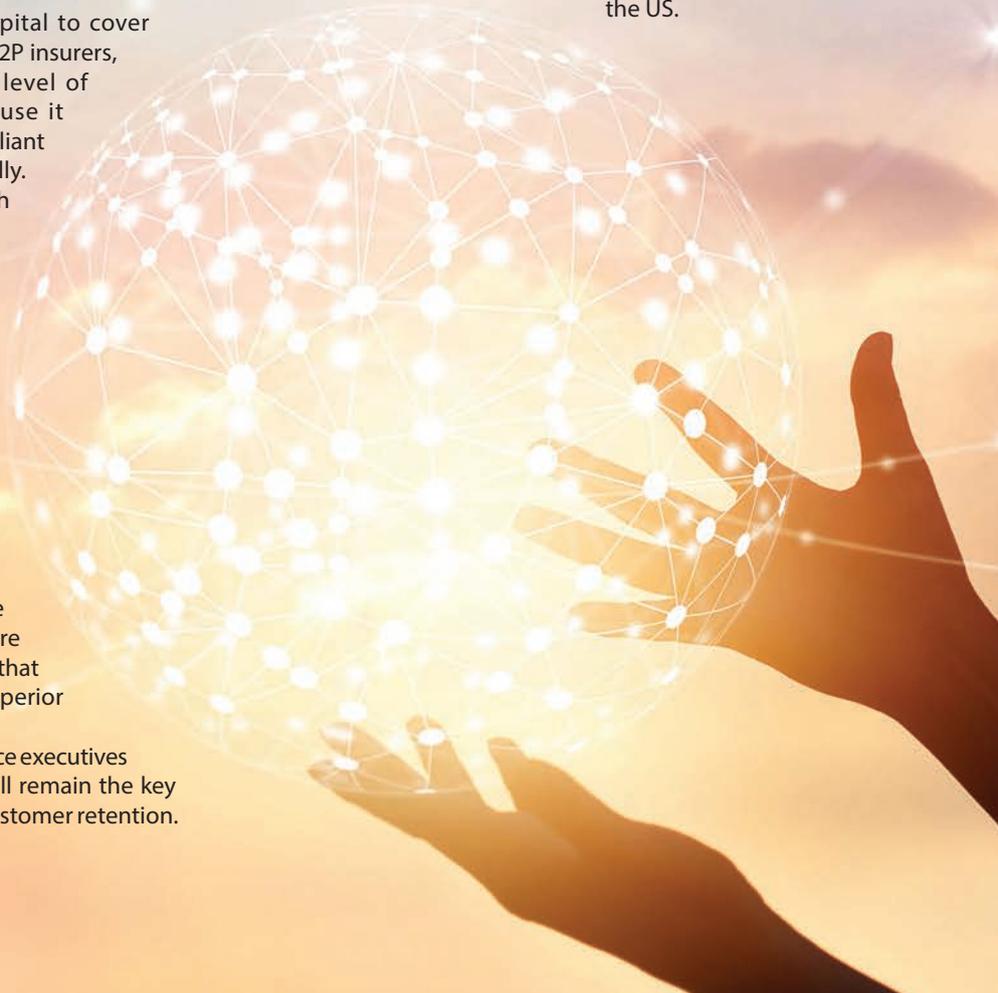
6 reasons the insurance industry is unlikely to be affected by disruption

- 1 Insurance customers are buying contingent rights to access cash frequently in situations of severe distress. It goes without saying that the scope for disrupting this business model is fundamentally different from transportation or temporary accommodation.
- 2 Insurers already embrace many innovative technologies in order to enhance each and every link of their value chain. This includes the formation of non-actuarial, Big Data teams using various non-traditional predictive models. Kept in perspective, digital technologies are a great opportunity for innovation, rather than a source of disruption.
- 3 Insurance requires massive amounts of capital to cover catastrophic scenarios. It is hard to see how P2P insurers, for example, would be able to build the level of scale needed to accumulate capital and use it efficiently. Such startups will inevitably be reliant on reinsurance for wholesale backing, literally. As such some of them look like brokers with uninspiring long-term profitability prospects.
- 4 An online only insurance customer relationship may not survive critical situations arising from (major) claims payments or the sudden emergence of complexity requiring human interaction. Removing any alternative option for interaction may backfire.
- 5 The rise of autonomous vehicles would shift risk from personal lines to commercial lines. Whether overall risk pools and the associated premium volumes will ultimately shrink is debatable and not predictable. Certain heavy personal lines motor insurers would face tremendous pressure to adapt – with many years available to do so – but probably not outright disruption.
- 6 Regulators may simply kill any "disruptive" venture as soon as issues around customer protection or perceived unfair price discrimination emerge, which could be only a matter of time. This is a valid scenario, especially in politicised and fragmented regulatory environments such as in the US.

Full-blown transformation

Even if insurance avoids disruption in its literal sense, there is no doubt that it will (have to) undergo a full-blown transformation. There will be no alternative to a fully digitised value chain. And there will be no alternative to partnering with companies that originate and analyse real time data or provide superior customer access.

Once the respective strategies are in place, insurance executives should keep their minds firmly focused on what will remain the key performance indicators: underwriting margin and customer retention.



Golden jubilee celebrations at 2015 FAIR

The 24th Conference of FAIR celebrated the organisation's golden jubilee at its birthplace in Cairo with the theme of "Building on 50 Years of Regional Cooperation". Giving the opening speech, Mr Ashraf Salman, Egypt's Minister of Investment, called on Afro-Asian markets to cooperate through legislation and regulatory reforms. He also urged the larger markets to support the smaller ones in the region. The Conference, held from 12 to 14 October 2015, attracted over 850 delegates, representing 300 companies from 51 countries.



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