

FAIR Daily


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FAIR Exchange: Forging Active Inter-regional Risk-exchanges

Everyone wants to be upbeat. The chant of the recovery mantra for the global financial crisis is in the air. But what shape will the recovery take: V, U, L or small “w” or will it just wax and wane? And where will FAIR fit into the recovery mode? Can FAIR provide fast action to induce relief in the regional markets?

FAIR – the term has been punned in so many different ways and has served as the acronym for many ambitious projects and visions of regional co-operation including Forceful Action to Integrate Risk-exchanges in Asia and Africa.

The greatest feat of FAIR over the 45 years is that unlike many other international or regional bodies that only succeed in boosting understanding and exchange of views, it has in reality produced real business exchanges through its three pools in non-life reinsurance, aviation and oil and gas.

Sure, some will argue that the volume of premiums handled by the pool is small relative to the size of the markets represented by the 210 members from 52 countries. But the actual exchanges are growing.

As Mr Ahmed Zinoun, outgoing President of the Federation said, with many members enjoying respectable ratings and a strong balance sheet, there is greater comfort in

exchanging business with financial security. And with the emergence of Asia as a leader in the global economic recovery, Asian insurers and reinsurers can likewise assume more prominence in FAIR play.

Speaking of figures, the Afro-Asian insurance market comprising FAIR members excluding Japan accounted for more than US\$404 billion in 2008 with Asian member markets ex-Japan accounting for \$326 billion. FAIR markets account for almost 10% of the global insurance premium pie for both life and non-life, with Asia accounting for 7.7%, Africa 1.2% and the Middle East 0.6%.

Fair expectations

What more can FAIR do? Our quick poll showed that while many believe in the important role that it plays in the Asia and African insurance markets, FAIR can do more and should be doing more. Although FAIR seems to enjoy more active support from the Middle East and African members, there were many who felt that given the more rapid development of the Asian markets, the Asian insurers and reinsurers can take a more active role.

A historical hold-back

In our poll, a common complaint among active FAIR leaders was that most local insurers in Asia, Middle East and Africa naturally tend to reach for the traditional reinsurers from the developed market before looking at FAIR options. Hence, more needs to be done at the political level to highlight the credibility, stability and security of FAIR reinsurers. Some said that regulators and rating agencies should be roped in to endorse the FAIR pools, while others thought that this was wishful thinking.

Also, although overall FAIR markets have grown about 25% in the past five years, they have also been hit by oversupply and price competition.

continued on page 2



New play

FAIR is embarking on a concerted programme to increase the range of the pools. The FAIR Nat Cat Pool to be led by GIC Re of India is widely expected to be launched here in Kuala Lumpur. Despite all its shortcomings, a pool is still seen as an active and effective means of sharing risk and creating additional reinsurance capacity. So all eyes are on this new nat cat pool as the knight in shining armour, the first Asia-led FAIR Pool at a time when the market needs it most. The increased frequency of natural disasters in the wake of global warming and the aggravated catastrophic damages with greater concentration of assets and people in urban areas are of serious concern to the industry and at some point, governments need to be drawn in to be the bearer of the last resorts.

FAIR path

FAIR as an inter-regional body between Asia, Middle East and Africa has flourished under the dedicated leadership of Mr Ez-zat Abdel Bary, who has been Secretary General for the past 16 years. He believes that globalisation further underscores the greater need for regional co-operation. And he has kept the organisation nimble and attuned to the changing needs of the market and its members while keeping to the original aim of promoting co-operation among insurance companies in Africa and Asia. So FAIR is now looking at the potential in life reinsurance, takaful and personal lines, and paying more attention to training and education.

A twin tower spectacular

The 21st FAIR Conference was originally planned to be hosted in Abu Dhabi but with the global financial crisis, somewhere along the way, the opportunity was passed to Malaysia to host the event. And here we are at the twin towers billed as one of the modern day wonders of the world.

With the event themed to look at insurance and reinsurance in the wake of the global financial crisis, the conference will be more generic in appeal, said Mr Anuar Hassan, Chairman of the Organising Committee. Although the market is recovering, it is

never too late to take preventive measures for the future, especially in light of the several structural weaknesses and imbalances in the international financial system thrown up by the current global crisis, he added.

To this end, the organisers have lined up an astounding array of speakers to share the lessons to be learnt and to underscore the unique opportunities for co-operation between Asia, Middle East and Africa. The show in KL with the twin towers of quality discussions and bilateral meetings will be spectacular indeed. Those coming with greater expectations after Marrakech will not be disappointed.

The volunteers' brigade

On the part of FAIR, Mr Abdel Bary said that more can be done if the members agree to co-operate with goodwill, vision and concerted effort. FAIR is a unique entity with a rich cultural diversity as its members are individual insurance or reinsurance companies. And to catalyse these varied individual corporates into action is no easy task. FAIR with its lean secretariat is therefore highly dependent on the voluntary efforts of its members and their "FAIR-consciousness".

The rendez-vous lure

Over the years, FAIR general meetings have also become a real rendez-vous with bilateral meetings among brokers, cedants and reinsurers attending the Conference. In KL, with at least 400 attending, this will be no different. The rendez-vous serves to enhance the business base of FAIR outside of the pools, though it can be a trying affair for the organisers when the conference halls are emptier and the bilateral meetings are in full swing. But this is a reality to be contended with.

Greater expectations

As one looks ahead beyond KL, the words of Mr Abdel Bary must resound: "there is no ceiling for the progress; there are no limits for enhancing the efficacy of FAIR for working together to profit from the enormous opportunities in the Afro-Asian countries." And the reality as succinctly put by Mr Zinoun is that "mutual business and benefits constitute the blood of FAIR".

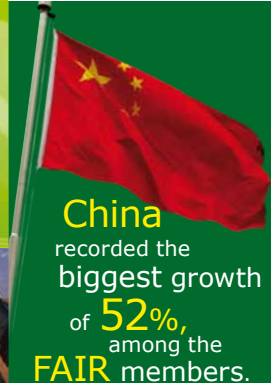
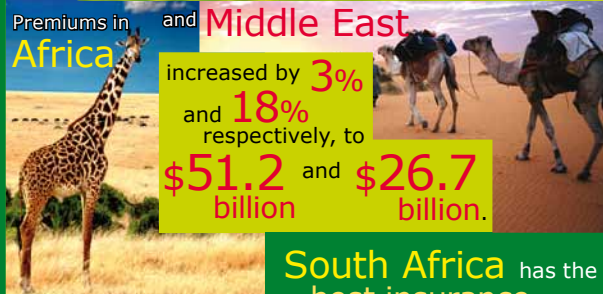
FAIR '08 Premium figures

Four out of the top-five

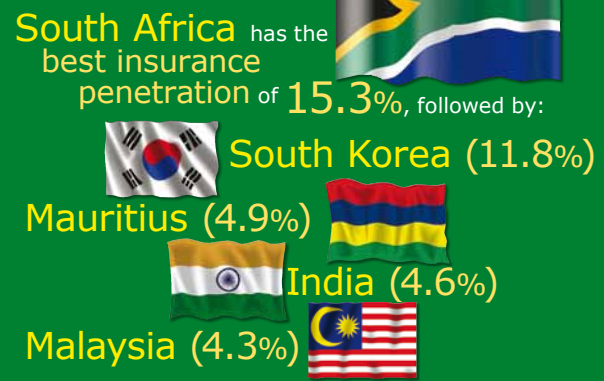
FAIR markets are in **Asia**



Asia generated **\$326.6 billion** in premium income - **80%** of total FAIR market share and **8%** of world's share.



Total insurance premiums in FAIR member countries grew by **3%** to **\$404 billion** in 2008.



Source: Swiss Re sigma. All figures are in US\$. Note: Figures are from 34 markets only. The remaining FAIR markets were not covered by sigma.

Welcome to the 21st FAIR Conference!

It is with great pleasure and honour that I extend my warmest welcome to all distinguished delegates of FAIR Members and International Partners to the 21st FAIR Conference in this beautiful and hospitable country, Malaysia.

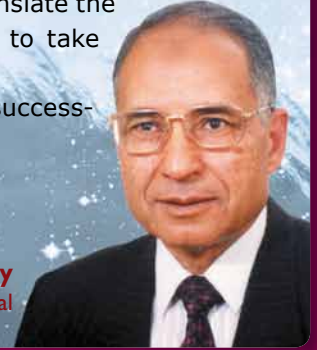
The Organising Committee of the Conference has been working so hard to make the FAIR Conference this year a unique event and to ensure that your participation is worthwhile.

The theme of the Conference and the smartly chosen topics are indeed very apt and fitting, particularly since the

impact of the financial crisis which first started in US and then spread to Europe have heavily affected the economy worldwide. Only reinforced international co-operation and concerted efforts can effectively tackle the root causes of the crisis, and hopefully result in complete recovery. In the Afro-Asian region, we have good reasons to be optimistic and confident to act decisively and work together for a better future.

Therefore, we are all called upon to actively participate in the deliberations in the three days of the conference and to thoroughly translate the new thoughts into action plans, to take advantage of the upturn.

Thank you and I wish you a successful Conference.



Mr Ezzat Abdel Bary
FAIR Secretary General

The 21st FAIR Conference is being held in Asia just as the region is emerging, while the world is confronted with the harshness of the financial crisis. It is during such turmoil that strategic and financial decisions become very decisive. Any wrong decision may imbalance corporate portfolios and places the overall structure at risk.

The Conference is an opportunity for FAIR members to come together to discuss matters of mutual interest and make business exchanges more effective. It is also an opportunity to discuss other topics such as the impact of the financial crisis on the insurance and reinsurance industry, and how



Mr Ahmed Zinoun
President of FAIR, 2007-2009

to further stimulate the actions of the pools for greater inward acceptance premium. I call on all attending to make the most of the opportunities available for learning and exchanging of experiences.

We are proud to host the FAIR conference in Kuala Lumpur for the second time. The Conference has gained recognition as a major event not just by members but non-members as well. Delegates are able to exchange first-hand experiences and views with decision-makers from across the regions. Through the FAIR Conference, members can not only foster closer relationships with each other, but also learn from the industry experts.

With an interesting selection of professional speakers, customised topics, quality presentations and practical arrangements, we trust that the 21st FAIR Conference will be an enjoyable and interesting experience for all delegates. We hope that at the end of the Conference, the delegates will realise how much there is to know about the industry itself, and on a lighter note, get to experience Malaysia – “Truly Asia” - and what it has to offer.

**Selamat datang ke Malaysia –
Welcome to Malaysia!**



Mr Anuar Mohd Hassan
Vice President of FAIR and
Chairman of the 21st FAIR
Organising Committee



Mark your diaries for the Asia Insurance Industry Awards, to be held on 9 November 2009 in Singapore

REGISTER NOW! Closing Date: 31 Oct 2009

10th Singapore International Reinsurance Conference

8 to 11 November 2009
Swissôtel The Stamford, Singapore
Theme: “Global Financial Crisis:
Asia’s Position in the Reinsurance Cycle”

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Flashback to FAIR Marrakech 2007



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