

FAIR Daily



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A new drumbeat for a flourishing FAIR



As the rousing percussion of different local ethnic groups formed the melodious sounds of "One Malaysia" at yesterday's opening ceremony, the industry must come together to face the beat of market uncertainties.

"Despite the different levels of development in FAIR countries, we have always been able to build richness from diversity and to set up our co-operation plans on the common elements we have, and the positive values we hold dear," said Secretary General **Ezzat Abdel-Bary** during his welcome message to over 600 attendees.

"In this context, FAIR members continue their concerted efforts to tap the enormous opportunities in FAIR countries, where they have the basis of competitive advantage and to move ahead to attain regional integration and to prove genuine partnership in the international scene," he added.

"Today, we operate in an increasingly competitive and challenging business environment, one in which the economy and current market trends are constantly changing," said **Mr Anuar Mohd Hassan**, Chairman of the 21st FAIR Organising Committee. "I sincerely urge all members to be better prepared and committed to work more closely together as a regional force to face the future challenges."

So far, FAIR has been adapting to the changes and reviewing its priorities and strategies while preserving its identity as an association dedicated to regional co-operation and developing the insurance industry in Afro-Asian countries, said **Mr Ahmed Zinoun**, Managing Director of SCR and outgoing President of FAIR, who passes the baton to Mr Anuar, President & Group CEO of MNRB Holdings.



Mr Ezzat Abdel-Bary



Mr Anuar Mohd Hassan



Mr Ahmed Zinoun

Risk management needed for continued resilience

Despite the growth prospects available for the insurance industry and its overall resilience in facing the financial crisis so far, players have to maintain strong capital buffers and sound risk management for continued strength in dealing with prevailing uncertainties in the world economy, said **Tan Sri Dato' Seri Dr Zeti Akhtar Aziz**, Governor of Bank Negara Malaysia (BNM).

In her keynote address touching on wide-ranging issues, the Guest of Honour noted that while there are opportunities for growth, increasing risks present challenges. Solvency II and its influence on solvency regimes in other jurisdictions have also seen countries such as Malaysia adopting risk-aligned strategies, which need to be reinforced by substantive improvements in risk-management practices, greater alignment between business strategy and risks, and greater appreciation by boards and senior managements.

Dr Zeti also spoke on the rethinking of the regulatory structure of the financial system in the aftermath of the global financial crisis, and the considerations by France and Germany to place the supervisory

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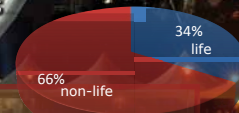


Mr Ahmed Zinoun hands over the baton of the FAIR presidency to Mr Anuar Mohd Hassan.

MALAYSIA FACTS & FIGURES

Malaysia's insurance market in 2008

- had 42 direct insurers
- 7 professional reinsurers
- 34 insurance brokers
- 37 adjusters



Total premium income grew by 8% to **US\$9.3 billion** in 2008.

The risk-based capital (RBC) framework was adopted on **1 January 2009**.

Since **April 2009**, foreign equity participation in **conventional** and **Islamic insurers** has increased from **49% to 70%**.



Bank Negara Malaysia (BNM), which turned

50 this year,

regulates the insurance industry.

The Labuan Offshore Financial Services Authority (LOFSA)

oversees the Labuan International Business and Financial Centre (IBFC).

Total premium income for Labuan IBFC grew **12%** to **US\$1 billion** in 2008.



Crisis response and lessons learnt

Many reforms have been taken to tackle the causes of the financial crisis, said FAIR Secretary General Ezzat Abdel-Bary in his welcome speech. The steps taken to fix the regulatory system, together with reinforced international co-operation, have helped to arrest the sharp decline in global activity and stabilise the financial markets, he added.

Elaborating on the financial crisis during the first plenary session, **Tan Sri Sulaiman Mahbob**, Chairman of Malaysian Industrial Development Authority, said that total world growth is anticipated to fall by 1.4% this year, with advanced economies bearing the brunt as output is expected to contract 3.8%, while emerging and developing economies will slow down with 1.6% growth.



Tan Sri Sulaiman Mahbob

not good enough," he suggested, adding that Asean and East Asia had been rather slow to respond when the turmoil first unfolded.

The road to short-term recovery?

Not all is doom and gloom as the world economy has been showing signs of recovery with the international efforts to counter the global slowdown, said Tan Sri Sulaiman. He is confident that 2010 will see a small positive growth, but cautioned that there are no real signs of brighter economic prospects in the long term. He said there are fears of a second-dip recession should there be a premature withdrawal of stimulus, or if monetary policies are tightened. Hence most countries would do well to continue with stimulus and low interest rates until recovery has been locked in.

Slow prediction and reaction



Datuk Dr Zainal Aznam Yusof

Datuk Dr Zainal Aznam Yusof, Member of the National Economic Action Council, said that the World Bank and IMF were sidelined as the crisis unfolded. He said the IMF did not predict the crisis, unlike other analysts who had done so as early as 2004. "The IMF should improve on their monitoring and co-ordinating of economic policies of the leading economies as whatever was done before was

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responsibility of the insurance sector with the Central Bank, drawing resistance from insurers on grounds of conflicts of interest. BNM's integrated approach of supervising both banks and insurers, she noted, "has enabled us to form a more complete assessment of the risks to financial stability, while ensuring consistency in the treatment of risks across the different industries to avert risks to the overall financial stability."

Collaboration still rules at the end of the day. "The rapid pace of change in the global economic and financial environment requires industry players to continually upgrade their expertise. Co-operation in this area between industry players can contribute towards bringing the insurance industry to the next frontier," said Dr Zeti. "Such expertise may indeed be tapped through such regional platforms, bringing with it mutual benefit to the insurance industry in both markets."

How are FAIR members dealing with the financial crisis?

We, in India, have been largely unaffected by the global financial crisis because of the 'conservative' and strict but prudent approach of IRDA. For GIC Re, there are three points which differentiate us from other reinsurers globally: our flexible approach to underwriting, our willingness to promptly pay valid claims, and our balance sheet strength which has withstood the current financial meltdown.



Mr Yogesh Lohiya, CMD, GIC Re (India)

Many corporations are tightening their belts and looking to sharpen underwriting, cut overhead costs and reduce claims leakage. They are also striving to improve risk management in their investments. In addition to these, Green Delta Insurance has taken a few steps to combat the effects of the crisis:

- Prudent administration of investment portfolios;
- Developing innovative products tailored to the market such as those for SME, microinsurance and non-traditional businesses, such as product liability and professional indemnity;



- Intensified focus on customer service by improving marketing support to clients; and
- Exploring avenues for strategic tie-ups with international companies to gain the competitive edge.

Mr Nasir A Choudhury, Managing Director & CEO, Green Delta Insurance Company (Bangladesh)

The impact on pricing of traditional insurance products is difficult to predict. Investment losses should increase the focus on pricing discipline. On the other hand, lower FDI, reduced tourism and job losses in Africa could see fewer insurance policies issued and price competition.

FAIR members from Africa will be learning important lessons from the crisis in strengthening the governance framework and addressing fundamental issues on the way insurance is conducted. As a regional reinsurer, Africa Re is assisting direct companies in ensuring that their exposures to risks are minimised during this trying period.

Mr Bakary Kamara, Managing Director & CEO, Africa Re (Nigeria)



Our efforts to mitigate the effects of such complications include intensifying promotional campaigns and opening new distribution channels. The UIC has launched a new takaful unit as another option for consumers alongside our conventional insurance services.

Mr Tarek A Hayel Saeed, United Insurance Co (Yemen)

3rd Middle East Healthcare Insurance Conference

9 - 10 Dec 2009, Manama, Bahrain

Theme: "Making Healthcare Compulsory: Opportunities and Challenges for Insurers in the Middle East"

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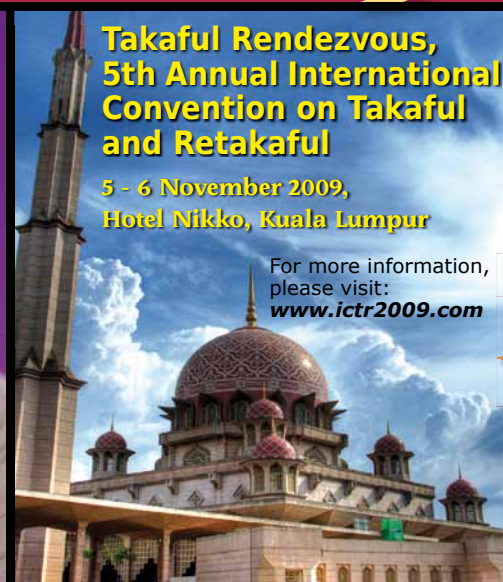
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Fueling regional co-operation

The FAIR Oil & Energy Insurance Syndicate has been run profitably by Trust Re for the last 10 years. **Mr Nabil Hajjar**, Director of the Syndicate at the Bahrain-based company, shares the highlights of the last few years.



When the FAIR Oil & Energy Insurance Syndicate was set up in 1998, there were 20 founding members from 14 Afro-Asian countries providing 70 units of underwriting capacity. Today, the figures have increased to 36 insurance and reinsurance companies from 22 Afro-Asian countries, while underwriting capacity has doubled to 139 units or US\$13.9 million.

The Syndicate has also consistently made profits since its founding, although the 2003-2005 period saw a decline of 70%. Between 2006 and 2007, the level more than doubled to US\$2.4 million (see table below).

The Oil & Energy Syndicate's main objective is "to be a reinsurer of oil & energy and related business and to underwrite this business from FAIR Members and other sources, primarily dealing with the Afro-Asian markets for the account and benefit of the Members". The pooling of underwriting capacity thus makes the Syndicate a "joint-venture" between insurance and reinsurance members of FAIR, said Mr Nabil Hajjar.

Capacity gains

Tracing the developments of recent years, Mr Hajjar noted a significant increase in local capacity after 2005 when most major oil and energy insurers developed the appetite for risks outside their area of business, particularly in Asia, to compensate for huge losses. This was evident in the following years with the opening of many regional offices, he said.

This additional capacity, coupled with catastrophe-free years and the changing attitudes of policyholders who were leaning towards self-insurance, resulted in softer terms and lower rates in the Afro-Asian market. The situation prevailed through 2006 and most of 2007.

From 2008 to 2009 however, the underwriting environment changed as plunging oil prices cancelled development projects and their insurance covers. Disciplined underwriting returned even though rates have fallen between 10% to 15% in both the upstream and downstream sectors. "It is anticipated that the change in the underwriting environment will follow the same trend in the foreseeable future, driving terms and rates into a steady mode," said Mr Hajjar.

Rates aside, there are good reasons to stay upbeat despite the uncertain economic outlook. "With the availability of natural resources and a good number of development projects in Afro-Asia, the region, and Asia in particular, is a main source of business production during the current year and in 2010," said Mr Hajjar.



"The conference theme of *"Insurance & Reinsurance Environment in the Afro-Asian region in the wake of the Economic and Financial Crisis"* opens a wide door for interesting and valuable discussions. Thus, there is no doubt that the presentations will be of utmost importance and rich in the provided information. I am sure that the conference will go in accordance with high expectations."

– Mr Nabil Hajjar

Years ending 31/12/2008	Gross written premium (US\$)	Gross booked (US\$)	Incurred claims (US\$)	Loss ratio (%)	A/c year profit (US\$)
1999/2000	700,476	700,476	288,038	41.12	49,056
2001	2,307,546	2,307,546	688,219	29.82	48,378
2002	3,060,959	3,060,959	590,881	19.30	324,672
2003	4,142,942	4,142,942	1,609,209	38.84	915,203
2004	3,596,699	3,596,699	3,347,054	93.06	400,400
2005	4,866,872	4,866,872	1,698,048	34.89	276,498
2006	7,393,644	7,393,644	1,460,164	19.75	1,092,141
2007	6,665,634	6,365,084	657,069	10.32	2,408,590
2008	10,550,261	6,645,851	643,149	9.68	*
TOTAL	43,285,033	39,080,073	10,981,831	28.10	5,514,938

* 2008 figures are subject to the Syndicate's General Assembly approval on 21 October.



21st F.A.I.R. CONFERENCE
WELCOME RECEPTION
19 OCTOBER 2009

Hosting FAIR with Flair

With a string quartet playing in the background, over 600 delegates mingled over local delicacies at the welcome reception on Monday night hosted by Malaysian Re and Labuan Re in true Malaysian hospitality.



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