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Panel on Catastrophe Risks

Pools – the way forward?

Yesterday's panel on catastrophe risks looked at what more can be done to mitigate natural perils, with panelists looking at pools as a key solution.

Sharing the experience of the Turkish Catastrophe Insurance Pool (TCIP), **Ms Burcu Ayten**, Head of **Milli Re**'s Local Treaty Acceptances, said that the low earthquake insurance penetration rate of 26.5% more than 10 years after the Turkish Catastrophe Insurance Pool (TCIP) was established suggested that more needed to be done. She noted that possible reasons include a lack of public awareness and marketing, and legislative shortcomings.

Touching on the implications of the 11 March earthquake in Japan, **Mr Christian Kraut**, Chief Executive, Middle East & Africa, **Munich Re**, said that the total economic losses resulting from this event suggested that even a mature market like Japan could benefit from more insurance coverage in the long term.

With many exposed countries ill-prepared to handle such risks, political leaders in such areas should take responsibility and set up private-public partnership models, said Mr Kraut. He pointed out that even though the idea of pools had been discussed in the Middle East for years now, little has progressed, and the (re)insurance industry should pressure governments to establish pools before it is too late.

Mr Gamal Hamza, ex-Chairman of Egypt Re and session moderator, pointed out that, while pooling can be effective, politics can spoil the effectiveness of pools. Similarly, **Mr Andreas Bollman**, Chief Underwriting Officer of **Saudi Re**, said that government intervention needs to be "very carefully planned, specific and relevant…[it] can be costly yet useless and in the worst case, even be counterproductive."

There is also a possibility that pools may be rated from next year. In response to a question at the second session, **Mr Nick Charteris-Black**, Managing Director, Market Development for EMEA, **A.M. Best**, said that such a topic is "high on our agenda", and there is a possibility that it could rate its first pool in 2012.

It is worth noting that the FAIR Nat Cat pool, operated by GIC Re, is still at a nascent stage, and in the process of enrolling contributing members and mustering capacity.

Panel on Political Violence

Redefining political violence

When do riots, strikes and civil commotion descend into situations of greater severity? **Mr Richard Halstead**, War, Terrorism and Political Violence Underwriter with **Hiscox**, said at the political violence panel yesterday that the fluidity of events in countries like Egypt this year show that the lines and definitions of political risks are becoming blurred, with implications for insurance coverage.

Mr Halstead said that while strikes, riots and civil commotion (SRCC) coverage can be obtained under property policies, these will only cover small-scale strikes and riots. Political violence cover, however, will eliminate the "grey areas" of coverage as the political situation changes.

Although the region has seen regimes being overthrown in recent months, the underlying causes, such as youth unemployment and food security, remain. Hence, insurers "need to remain cautious", said Mr Halstead. "Democracy isn't the silver bullet."

FAIR names first
Hall of Fame laureates

Mr Ezzat Abdel Bary, Former Secretary General of FAIR, and **Mr Alfonso Yuchengco**, Chairman of the Yuchengco Group of Companies and the former Philippine ambassador to China and Japan, will be honoured as the first laureates of the FAIR Hall of Fame in a ceremony tonight.

Well done & thank you!

As the 22nd FAIR Conference draws to a close, we pay tribute to the Organising Committee, who worked tirelessly to make the Conference a successful one despite the venue being shifted from Libya at short notice.

(Sitting L-R): Mr Abd El Raouf Kotb and Mr Hammam Badr
(Standing L-R): Mr Elhamy El-Kady, Ms Marwa Askar, Ms Wafaa Abd El-Hafez, Ms Samia Heeda, Ms Fatma Abdel Fattah, Ms Azza Arfeen and Ms Heba Fouad

Arab Spring – A case for reinsurance support

Could reinsurers have responded better to the need for political risk coverage following the Arab Spring? Regional players *Middle East Insurance Review* spoke to seem to think so.

To start with, political risk coverage is usually restricted by specific clauses, if not simply excluded. "In general, most policies do not carry any political risk component and therefore the cost to the industry is far below the economic losses sustained," said **Mr Riadh Karray**, CEO of **BEST RE**.

Limitations placed by reinsurers in respect of Strikes, Riots and Civil Commotion (SRCC) coverage can be seen as a fair measure in adapting to the situation. What this means, however, is that companies have faced difficulties in purchasing reinsurance cover for both SRCC and terrorism, noted **Mr Gökhan Aktas**, Chief Area Underwriter of **Milli Re**. "Full Political Violence (FPV) cover would of course be the ideal way of protection, for which they would have to engage niche insurance markets which offer these kinds of covers."

Need for FPV coverage

More reinsurers should provide Arab insurers with such coverage, said **Mr Fady Shammas**, CEO of **Arabia Insurance Co**. He added: "Reinsurers' treaties' terms should not be affected negatively by current events. On the contrary, they should be more supportive and softer given the expected political and economic reforms that would result from the Arab Spring."

Some reinsurers overreacted to the political unrest, said **Mr Nagib Bahous**, President and CEO of **ACE Group of Companies**. "Withdrawing cover completely is not the right answer. At such times, creative reinsurers which maintain support for local cedants will reap the benefits."

Support should come from both sides

Others feel that reinsurers should not be held fully responsible. "Quite often, insurers would classify events as political when governments step in ruling that they are to be settled under common property policies. Some administrations are out to generate goodwill among the uninsured and we are asked to foot the bill. That can hardly be satisfactory for an industry that is mostly privately owned," said **Mr Yassir Albaharna**, CEO of **Arig**.

"However, if there is a sentiment that says 'we are there for you during difficult times if you are willing to pay us back as you recover', then I can support this approach. That would entail that we receive additional premium for our risk exposure, and that this is not cross-subsidised from other classes of insurance. There should be support and loyalty coming from both sides."

He conceded that there is room for improvement. "If the existing NMA clauses can be bent to our disadvantage, then we have to make them unequivocal. We need to have clear definitions about what represents a popular uprising or a revolution. Perhaps we should think about parametric definitions as well. SRCC covers were not intended to cover nation-wide revolts. We need to see more self-retention, sub-limits, event limits and annual limits so that the increased exposure will retain some sensible proportion to the premium levels we can expect to receive."

11th Singapore International Reinsurance Conference (SIRC)

30 Oct - 2 Nov 2011, Singapore

Theme: "Asia's Growth: Are We Capitalising on It?"

The three-day conference will look at how the global axis is shifting towards Asia and the challenges that come with this for the insurance and reinsurance industry.

For more information, visit **www.sirc.com.sg**

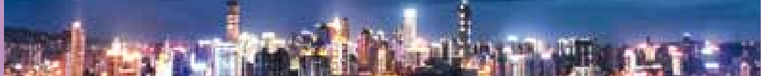
12th China Rendezvous

6-8 November 2011, Chongqing, China

Theme: "Effective Reinsurance Solutions to Meet the Rising Need for Protection"

The 12th China Rendezvous will focus on finding effective reinsurance solutions to help the insurance companies in China to rise to the challenge of the booming market place where disasters are striking with greater frequency and increasing intensity.

For more information, visit **www.asiainsurancereview.com**



1st Middle East Conference on SRCC, Political Risks & Terrorism Insurance

22-23 Nov 2011, Raffles Hotel, Dubai, UAE

Theme: "A New Paradigm for the Insurance Industry"

The MENA Insurance CEO Club (MICC) is extending a complimentary invitation to each and every insurance company in the MENA region to attend this first-ever conference. Participants should bear their own travel and accommodation expenses.

For more information or to register, please visit **www.meinsurancereview.com**

Takaful begins to stir in Africa

Absa Insurance Co's (AIC's) acquisition of Takafol South Africa last month signalled the latest movement in Africa's takaful sector in the past 12 months. AIC is a subsidiary of the Absa Group, one of South Africa's largest financial institutions, and majority owned by Barclays Bank.

The move follows the launch of Takaful Insurance of Africa (TIA) in Kenya at the start of this year, with the company already expressing its intention to expand operations into Tanzania and Uganda.

The flowering of more direct operators in the region has attracted the attention of reinsurers. Late last year, Africa Re launched a retakaful subsidiary – Africa Retakaful – to write Shariah-compliant business, having attained its licence in Egypt under the Investment & Free Zone Law.

In response to the growing demand for retakaful coverage in the region, the company noted in a statement: "This step has been necessitated by the increasing need of Africa's Takaful Insurance companies for the Retakaful and the fact that Africa Re was established basically to support the needs of the African insurance markets and to extend its services to the takaful players in the Middle East and Asia."

Recognising the positive trend in Islamic insurance in the region, Kenya Re signalled its desire to grab a share of the retakaful market by setting up a retakaful window. The move by Kenya Re reflects an enlarged marketplace for Islamic finance in the country. Kenya also has two Islamic banks operating locally in the form of Gulf African Bank and First Community Bank.

Huge potential

The growth of Islamic banking has naturally given the impetus for takaful and retakaful companies to spring up in the region. In acquiring Takafol South Africa, AIC revealed plans to leverage on the distribution network of one of the Group's subsidiaries – Absa Islamic Bank. Absa's Tanzanian subsidiary, National Bank of Commerce, had also launched Islamic banking in May last year and is present in Nigeria, Namibia and Mozambique.

In South Africa, takaful contributions are currently estimated at about ZAR3 billion (US$420 million), modest compared to the conventional insurance market. As such, the potential is huge because of the low base, especially in a country with a fast-growing population of over 45 million, of which 3 million are Muslims, a relatively significant affluent middle-class group.

At the same time, banks offering Islamic financial products in the country are encouraged by the increasingly favourable policy of the South African government of President Jacob Zuma, which has tried to facilitate Islamic finance in the country under its financial inclusion policy.

Insurance penetration for Kenya stands at 2.6%, compared to that of industrialised nations which hovers at around 10%. "Insurance reach has been limited to the high-income areas," commented Mr Hassan Bashir, CEO of TIA, which is hoping to expand into the microtakaful sector.

In the long term, TIA plans to export its model to neighbouring Tanzania and Uganda, seizing the opportunities offered by the "virgin takaful market", said Mr Bashir in an interview with *Middle East Insurance Review.* "We hope to submit our plans to the regulators in the fourth quarter of this year but at the moment, there is enough in Kenya to keep us busy."

Takaful operators with mass

One of the positive recent trends of takaful operators in the region is their affiliation to larger banking groups, which allows the companies to operate with a larger mass. This allows the chance for these takaful companies to have a higher visibility, especially amongst the Muslims in the region which make up approximately half of its population.

Takaful awareness remains generally low, particularly in markets like Kenya, where takaful is being built from scratch, said Mr Bashir. And like their counterparts in other markets, operators in Africa must tackle the challenges of finding the right investment avenues and human resources.

But despite the obstacles, all signs are pointing to a promising greenfield takaful market where opportunities are ripe for picking.

Sun City, South Africa

Figuring Takaful out

In 2009, global takaful contributions grew 31% to $7 billion.

Global contributions could reach $12 billion by end-2011.

The GCC has the biggest number of operators with 77, followed by the Far East with 40.

The world's 1st takaful company – Islamic Insurance Co of Sudan – was set up in 1979.

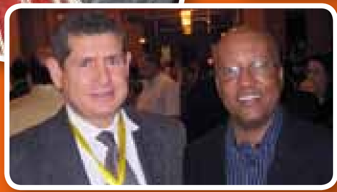
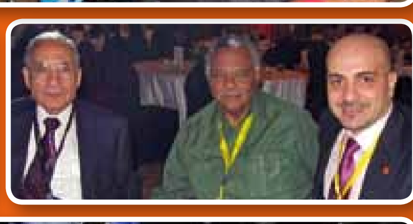
As of 1 March 2011 globally, there were 195 takaful operators & 14 retakaful operators in 34 jurisdictions.

Global family takaful contributions are estimated at $1.7 billion, and may increase 250% to $4.3 billion, in the next 5 years.

All currency figures in US$
Sources: *World Islamic Insurance Directory,* Ernst & Young, Milliman

Eygptorama!


What do drums, dancing and dinner have in common with insurance? Answer: all were featured at Trust Re's dinner on Monday night, which took guests on a musical journey through Egyptian culture.

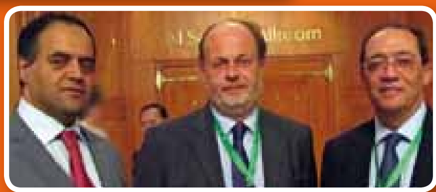






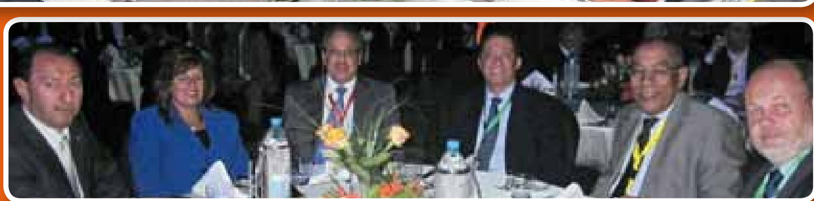







Trust Re also honoured **Mr Ezzat Abdel Bary** *(lower right)*, Former Secretary General of FAIR, and **Ms Heba Fouad** *(below)*, Technical Manager of FAIR, for their untiring service to the Federation. ▼



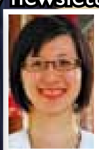



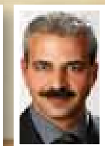
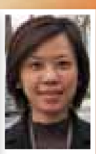

See you in 北京 (Beijing)!

"China Re has the honour of hosting the 23rd FAIR Conference in Beijing in 2013. We will exert all efforts to make it a successful conference with full support from the Chinese government agencies, the attending parties and the local insurance industry. The insurance industry in China has been growing very fast and has led to increasing need of reinsurance support as well. Through the FAIR Conference, we wish to share our experiences and exchange opinions with all members and guests. Welcome to Beijing, welcome to China and welcome to the 23rd FAIR Conference."

Mr Li Peiyu, Chairman of China Reinsurance (Group) Corp and Head of the Organising Committee

FAIR Daily newsletter team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