

# GAIF Daily

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## GAIF: Parading With Pomp and Patronage

When the long-awaited moment of truth came, the whole ballroom was filled with eager anticipation and the opening ceremony met the greater expectations of the 1,400 delegates who were fortunate to have the presence of His Highness Shaikh Khalifa Bin Salman Al Khalifa, Prime Minister, Kingdom of Bahrain, and Patron of the 27th GAIF General Conference.



HH Shaikh Khalifa Bin Salman Al Khalifa

providing a higher level of customer service and support, and developing the human resources capabilities in order to match the growth needs of the markets.

Outgoing GAIF President Mr Sulaiman Al Hassan of Syria called on GAIF members to "put their hands together in order to build a truly integrated Arab insurance market capable of overcoming all the challenges and obstacles faced and to succeed in establishing a stronger and more effective Arab Insurance Industry in the global context." During his tenure, the Arab Insurance Academy, with land donated by the Syrian government, was set up with the capital of US\$10 million being fully subscribed by 43 Arab insurance companies from 15 Arab states, he said.



Mr Sulaiman Al Hassan

### A Vote of Thanks

Mr Sameer Al Wazzan, Chairman of the Steering Committee of this spectacular 27th GAIF, said the diversity and record number of participants standing at almost 1,400 representing more than 61 countries, is not only indicative of the importance of this conference and of Bahrain's ability to host such international gatherings. The Committee had made strong efforts to make the programme and content distinctive and special with the likes of interactive debates, essay competition, and interactive pre- and post-conference online survey. He even urged delegates to also use the dedicated networking zones for bilateral business meetings.



Mr Sameer Al Wazzan

In his address aside from the accolades to the VIPs, he paid a special tribute to the "Conference support and logistics team comprising purely of volunteers from the insurance industry, who have gone beyond the call of duty to ensure that all our guests have a comfortable and enjoyable stay." HEAR, HEAR!!

The potential in the Middle East is undeniable and unstoppable. Mr Rasheed Al Maraj, Governor, Central Bank of Bahrain, in his opening address, said local and Arab insurance companies in the region must be prepared to face the challenges of day posed by the dynamic growth in the region. He said they must be ready to invest more in training and developing human resources as well as meet the higher requirements of corporate governance and solvency margins as the insurance sector develops rapidly.



Mr Rasheed Al Maraj

### Going for Restructuring and Modernisation

Mr Abdul Khaliq Khalil, Secretary General, GAIF, noting that his primary aim was to work towards the integration of Arab markets, called for companies to seriously considering mergers to get stronger, and for each government to set up a specialised authority for resolution of insurance disputes and conflicts, and to establish separate regulations governing the operation of takaful. He said there was more room for innovation and product development, while developing specialised resources in underwriting, risk management, and pricing.



Mr Abdul Khaliq Khalil

He said all signs pointed towards the continuing growth and modernisation of the industry through enhancing the regulatory framework, adoption of international best practice, embracing strict governance standards, setting sound and healthy platforms for "fair play" competition,

## GAIF Must Modernise to Cope with Challenges, Says New President

At the 27th GAIF Conference, Mr Ashraf Bseisu, Chairman of the Bahrain Insurance Association, was appointed the new President of GAIF for a two-year term, succeeding Mr Sulaiman Al Hassan. Here, we bring you a quick interview on his hopes and plans for GAIF which has tremendous potential to play a leading role in this market.

### What are your priorities and plans as new GAIF President?

It is basically to promote the role of GAIF and its capacity to service its members and the Arab insurance industry at large. We are in a very challenging and changing environment with new regulatory and compliance standards, the advent of WTO and FTA agreements and evolving political and socio-economic prospects. GAIF will help meet the challenges relating to new regulatory regimes, open market dynamics, and evolving international market trends.

### Are there any plans to raise the number of members? How would this be carried out?

GAIF has already quite a large membership coming from 20 Arab countries. However, we still need to enhance this by highlighting to prospective members the added value that GAIF provides to its members. To reach out to new prospects, we will be visiting the markets which the General Secretary is very active in, and working through each market representative on the GAIF Council.

### What do you view as the key opportunities and challenges facing GAIF as an organisation and its members right now?

To modernise and improve to cope with a fast changing industry platform, as well as external factors such as political and economic dynamics.

### How can GAIF be strengthened? What does GAIF need most right now?

GAIF draws its strength from its members' commitment and support. Member markets need to be more proactive in directing GAIF how it can best cater to their needs. They need to better articulate the challenges and main issues faced, and channel these to GAIF to see what role it can play to alleviate and mitigate these issues.

GAIF also needs to modernise and de-politicise.



## Are Regional Pools the Way Forward?

As part of the exciting innovation to the GAIF Conference programme, host Bahrain devised this highly interactive debate in Arab to allow for a freer flow of ideas with simultaneous translation provided. The debaters had to attend briefing sessions and rehearsals with assigned stands they had to take. Moderator Mr Joseph Zakhour (Beirut) set the parameters and spurred the debate with pertinent questions:



Mr Joseph Zakhour

On the side arguing in favour of the pools were:

- Mr Tayseer Treky (Beirut), Deputy GM, Arab Re;
- Mr Bassam Chilmeran, GM, Al Wathba National Insurance (Abu Dhabi); and
- Mr Salah Eddine El-Kadiri, MD, Guy Carpenter, London.

The key thrust was that regional pools were created to address certain needs in the Arab world and, despite their modest capacities and the limited backing, did achieve satisfactory results.

On the side against pools were:

- Mr Gamal Hamza, Ex-Chairman, Egypt Re;
- Dr Abdul Zahra Ali, GM, National General Insurance (Abu Dhabi); and
- Mr Georges Zeineh, Chief Executive, General Reinsurance Services (Beirut).

The naysayers said that despite the long history, existing pools still had low capacities and did not achieve local sufficiency. They have not met the needs of the local companies in the region and could not prevent premiums from going abroad.

### Engaging the Delegates

Delegates were not spared. They were engaged in the debate from the beginning to cast their vote on six important questions and when the debate was thrown open to the floor.

The issue of regional pools is a hot issue for many. Some are emotional about it, while others are theoretical or skeptical about pools. But in reality the existence of many pools shows that they work with varying degrees of success.

Mr Yassir Albaharna, CEO of ARIG, who was the programme leader for this debate, set six questions to the 300-odd delegates who turned up for the debate with the questions skewed to draw out peoples' reactions and concerns with regional pools. The sophisticated technology-based instant capturing of answers from audience with no repetitions allowed was most impressive to say the least.

And the survey shows: There was no clear answer to the first question as to whether regional underwriting pools were the way forward for integrating the

Arab insurance market. While 84 delegates agreed that it was the way forward, 61 disagreed, while another 59 were unsure. Hence, there were no overwhelming thumbs up for pools. To a different question, 44% of the respondents said they viewed pools as additional capacity providers, and only a small 8% saw it as a direct competitor.

In that same vein, the survey showed that 30% were not sure about the future of regional pools in three years time in the MENA region. But reassuringly, 27% of the respondents expect to see pools having more members and higher premiums, which means that they see pools getting bigger and more popular. However, 20% expect the premium base to be lower, although more members will join the pool. Talking about diehards, the survey showed that there were still people – 6% of the respondents – who believed earnestly that though there will be fewer members in pools, the premium base will get higher.

### A Plug for AWRIS

AWRIS came in as a star and was the preferred answer for the most successful underwriting pool in the region. It swiped 58% of the votes, while 20% said they were unsure as to which of the four – AWRIS, FAIR Oil and Energy, Fire and Engineering or FAIR Aviation Pool – was the most successful.

### Priority Concern with Security Ratings

When asked to rank the greatest risk in operating a regional pool, almost a third chose the lack of security rating for the pool as their biggest concern, while 22% chose professionalism of the pool manager as the answer. The other risks identified in the survey like joint and several liabilities among members, small collective capacity to underwrite quality risks, and the transparency in procedures and accounting, scored almost equal votes with 17%, 16% and 13%, respectively.

### The X Factor

When asked to rank the most important success factor for a pool, 27% said it was commitment by ceding member companies. Another 23% said it was the ability of the pool to offer more offering competitive terms and conditions. The third most popular answer was the more active marketing by pool managers, with 20% saying it will be the decisive factor. Other factors like prompt claims settlement and backing by renowned reinsurers were rated as top by 14% and 16%, respectively.

Although it was way past the lunch hour, the debate was a draw, as those who came stayed to be entertained and enlightened. It was a Great Debate, indeed.



Mr Yassir Albaharna



## Takaful: A Rising Force

Takaful – insurance conforming to Shariah laws, particularly with respect to riba (interest), gharar (uncertainty) and maysir (gambling) – has finally started to take off and has been making steady inroads into the world insurance markets. Such is its importance that we felt that we could not cover this important 27th GAIF Conference without a reference to its growth and development.

Estimates put the world takaful industry to be growing by 15%-20% annually over the immediate term with premiums predicted to hit between US\$7.4 billion and \$14 billion by 2015. Currently, the Middle East accounts for 47% of the world takaful premiums with motor and medical accounting for 40% and 25%, respectively, and the remaining third coming from property, miscellaneous accident and marine. Model-wise, the Middle East markets generally favour the wakala (fee-based), while the mudahraba model is prevalent in Malaysia.

In Asia, Malaysia continues to lead with takaful premiums amounting to RMI.72 billion (US\$534.8 million) for 2006, while Indonesia, with close to 40 companies offering takaful/ retakaful services and home to about 180 million Muslims, presents a very compelling business proposition. Takaful is also catching up in Thailand, with several insurers offering takaful products to cater to the mainly Muslim-dominated south. India may also get its first takaful operator soon if the plan by Bajaj Allianz Life Insurance is approved.

Surprisingly, Europe is also seriously looking at takaful. With over

20 million Muslims, there is a strong case for developing takaful. Already, British Islamic Insurance Holdings and First Takaful have announced plans to commence writing general takaful business in the UK this year.

The young Muslim population, coupled with a young (70% are under the age of 35) and largely untapped Muslim population globally (1.84 billion) which is growing at a rate of 2% annually, of which 1.24 billion are found in the Middle East and Asia, makes the potential growth for the takaful industry huge. With this potential, several big international players have already set up dedicated takaful/ retakaful units. Swiss Re, Hannover Re and AIG have all chosen to base their hub in the Middle East, while others such as Munich Re, Allianz and SCOR have opted for Malaysia instead. Some, like HSBC, are targeting both and there is now a cross movement of takaful operators across the region where in some markets in Asia, the Arab pedigree draws a greater appeal in Islamic matters.

Despite the potential, it is not plain sailing for all these companies as they will have to grapple with the lack of qualified manpower, diversity in Shariah opinions, lack of uniformity in accounting standards and practices and a still-developing regulatory framework. But with the increasing purchasing powers of Muslims globally and growing awareness of the industry, takaful is all set to entrench itself in the region.

# The MENA Region: A Broker's View by UIB (DIFC) Ltd

Mr George Jad Kabban, CEO of independent insurance and reinsurance broker UIB (DIFC) Ltd, speaks to *MiddleEast Insurance Review* about the dynamics of the market and the kind of advantage it seeks to bring to clients.



There is ample room for growth in the MENA region, with insurance markets being relatively young, and many economies developing fast. The challenge, however, is how to tap into that growth, said Mr George Jad Kabban, CEO of UIB (DIFC) Ltd.

He pointed out that the large number of insurance companies poses a threat, as many do not contribute to the effective development of the sector in the region. "Of course, attempts have been made to raise capitalisation leading to mergers. But that has not been on a scale that would transform the sector, as retention levels remain weak. In effect, the burden of written risks is moved on to reinsurers."

Regarding the impact of this proliferation of companies, he said the weak capital base of most insurance companies and the heavy reliance on treaty protection suggest that there has not been a large increase in individual retention levels, nor have professional reinsurers rushed to offer significantly more treaty capacity.

"On the other hand, insurers continue to pursue co-insurance strategies in order to maximise the utility of automatic treaties at exceedingly competitive pricing rather than seek internationally priced facultative support. This has had the effect of concentrating higher aggregate exposures at ever lower premium levels.

"The rise in the number of new insurance companies is an opportunity for UIB as these companies need support and assistance in the design of their treaty reinsurance programmes," he continued. "UIB welcomes approaches from new companies because of its deep-seated commitment to the region."

There is also the challenge of manpower development, a theme that has been on the agenda of insurance associations of the region for many years. "We are fortunate at UIB in being able to attract some of the top talent in the region. There are, however, too few experienced people spread too thinly among numerous insurance companies. Looking ahead, professional education is going to be vital to the professionalism and development of our industry," he noted.

## Activities in MENA Region

UIB was established in 1987, but its origins in the MENA region, through its founders, go back to the 1960s when the late Jad Kabban started operating the first corporate insurance broker based in Beirut. He was the first Arab insurance broker to engage in insurance intermediation based on modern methods.

Over the years, UIB has developed into an international insurance and reinsurance broker with some 300 staff in offices around the world. It was the first broker to enter the DIFC. "UIB is a client-focused broking house and that will be one of the significant factors in its thinking on expanding operations," said Mr George Jad Kabban. "We believe in personal service and being close to our clients and accessing local markets, worldwide, is very important. UIB keeps close to the pulse of change and at the right moment makes its move."

It competes with the major international brokers in the MENA region across all the major business lines and shares the same level of experienced staff, but "we are distinguished by the personal service of our staff, the continuity of our management and financial independence, which enables us to totally focus on meeting our clients' needs."

It is also a multicultural, multilingual firm that possesses in-depth knowledge and experience of the MENA region, he added.

## Advantages to Clients

A Lloyd's and FSA-regulated broker, UIB has a physical presence in the region and a free hand to uphold the interests of our clients. "We are not encumbered by the return on our shares in the NYSE or other bourses," said Mr Kabban.

Compared with many other brokers, he said UIB offers an amalgam of professionalism, transparency, personal service and commitment. It is also unencumbered by shareholders or strictures of US sanctions imposed even on UK brokers whose shares are traded in the US.

"Ultimately, it is our ability to practice innovation through expertise that will always allow us to better serve our clients' needs."

## GAIF IN FIGURES



GAIF was established in

September **1964**

Since its establishment, GAIF has chosen

**Cairo** to be its permanent headquarters

where the headquarters agreement was signed in

**1996**

Mr Abdul Khaliq R Khalil

became the

GAIF Secretary General

in **1998**



There are **285** members under the umbrella of the Federation,

an increase from

**193** in **1999**



GAIF has

**20**

Arab members practicing its laws.

Of all members in the Arab League, only Comoros and Djibouti have not signed the Agreement of the Federation.

# Rendezvous

UNDER THE STARS

Delegates were welcomed to the 27th GAIF Conference at the reception hosted by the Bahrain Insurance Association on Monday evening, where the coming together of more than a 1,000 friends and associates provided a warm atmosphere to mingle in the cool of the night.



## 2nd Mena CEO Insurance Summit

2 - 4 June 2008, Dubai, UAE

Theme: "Managing Expectations and Nourishing Aspirations (MENA)"

As a CEO forum, the Summit will be a serious two-day intensive platform for interaction, exchange of ideas, learning from successful models, and finding common solutions to the challenges of the day. The MENA region is sizzling with potential and dynamic growth and the time is right to talk about finding the right strategies to manage the higher expectations and boosting professionalism and standards to exploit the opportunities.

More details at [www.meinsurancereview.com](http://www.meinsurancereview.com)



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