GAIF Daily

Thursday, 26 May 2016

Day 3

Published by: Middle East Insurance Review

Sponsors: A.M. BEST® TRUST RE REINSURER OF CHOICE

Media Partner: Asia Insurance Review

Positive signs as Lebanese insurers seek major role in protecting oil and gas assets

Lebanon's Association of Insurance Companies (ACAL) has signed a Memorandum of Understanding (MoU) and received backing from the Lebanese Petroleum Administration (LPA) to set up an oil and gas insurance pool, in its bid to ensure local companies have priority in insuring the assets of exploration companies once oil and gas extraction work eventually begins, said Mr Max Zaccar (right), President of ACAL.

Recent assessment indicates there may be as much as 25 trillion cubic feet of gas beneath the sea off the coast of Lebanon, although political gridlock in the country has delayed exploration efforts.

Speaking at the panel titled, "The future of the Lebanese oil & gas industry for Arab insurers", Mr Zaccar said ACAL has received positive feedback from the government for its plans to manage an oil and gas pool that will include all 50 local insurers.

Mr Zaccar added the arrangement would be on a quota-share treaty basis with 10 lines, and the remaining risk will be ceded to the international markets on a facultative basis.

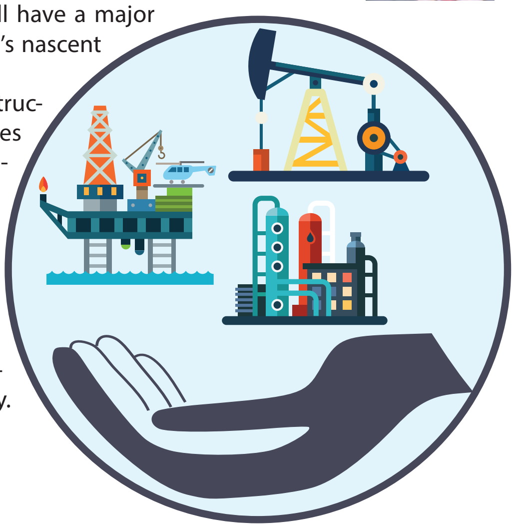
Potential benefits for all

Bolstering its case, he pointed out ACAL's excellent solvency levels and experience in managing pools – most recent being the Orange Card pool for motor insurance. Together, Lebanese insurance companies generate US$1.5 billion in annual premiums with assets totalling $1 billion.

Pooling their resources together would allow local insurers to take on a greater share of risk, and subsequently benefiting the country as premiums are reinvested locally, while new jobs would also be created in the insurance sector, he said.

Mr Wissam Zahabi (right), Chairman of LPA, said the Lebanese insurance sector was an important player in the local economy, and will have a major role to play in Lebanon's nascent energy sector.

He pointed to infrastructure, pipelines, refineries and power plants, as critical areas where up to $5 billion of investments would be needed over the next seven years – thus representing significant opportunities for insurers in the country's oil and gas industry.



Preparing for reconstruction of war-torn markets

Though the wars rage on, there are already efforts underway to start the reconstruction project to rebuild infrastructure in the hope that peace in the valley must come at all costs. It is not just a problem of the Levant countries nor just an Arab problem, but one that is of significance to the whole world.

In giving a very clear and from the heart analysis of the war damages on the four countries of Syria, Iraq, Yemen and Libya, Mr Patrick Delalleau (right), Chief Underwriting Officer, CCR, which is very committed to the region, said that reconstruction efforts must start, and to "give peace a chance". He stressed the need for all parties concerned to come together to build a future, respecting differences and giving autonomy to the locals as basic preconditions along with the need for big money.

Mr Peter Mousley (right), Program Leader, World Bank, said that only recently have there been initiatives to help provide concessional funding for the Levant countries starting with the London Conference in February followed by the Washington Conference where more than US$1 billion has been pledged.

Industry can play constructive role

In giving a list of things that the world could do to prepare for the reconstruction, Mr Delalleau said insurers and reinsurers could play an important constructive role. The insurance industry provides the very foundation for a sound and stable economic development everywhere.

Speaking as a businessman, he saw opportunities for insurance products such as CAR, EAR, Bonds, Workmen's Compensation, Group Life, Trade Credits, Marine Hull and Cargo, etc. Insurance is a provider of capacity and provider of know-how, he added, making a pitch for investors to use Lebanon as the base for reconstruction efforts given its "intimate links with so many aspects of the crisis".

Digitalisation and future of risk

A Single Digital Agenda

Mr Solmaz Altin (right), the first ever Group Chief Digital Officer of Allianz, shared about his organisation's digital transformation and its new "Single Digital Agenda" model, which builds digital assets that are reusable and scalable.

1. **Digital Strategy** • Digital by default as a core pillar of the corporate strategy
2. **Digital Value Capture** • Transform your core business and develop new ones:
   - Digitally re-think existing business; and
   - Innovate new revenue streams.
3. **Foundational Digital Capabilities** • Build critical capabilities required to rapidly scale up:
   - Advanced analytics;
   - Next Gen IT;
   - Digitally enabled operations; and
   - Customer centricity.
4. **Digital Culture, Talent and Organisation** • Transition to a digital way of working:
   - Structure;
   - Leadership;
   - Agile operating model and culture; and
   - Talent.
5. **Digital Integration Roadmap** • A roadmap to create a cultural change programme that integrates digital thinking and a new way of working into the organisation.

"There is a concerted effort to really change how we do business, because we cannot withstand the digital revolution if we do not get our economies of scope and scale together."

5 forces of digital transformation

Mr Fredi Lienhardt (right), Vice-President, Big Data and Smart Analytics Centre, Swiss Re shared five ways in which digitalisation would transform the insurance business.

1. **Insights** • Data can create insights if you have analytics and the tools. Insurers can improve risk selection due to more transparency, and risks pools may change as smaller risks could be reduced and predictive maintenance can be carried out.
2. **Hyperconnectivity** • People, machines and objects get more connected. Cars can only self-drive if they are connected. Interdependencies will change, so will business interruption (BI). Will we see new types of BI, new velocities of loss?
3. **Ownership** • We move away from buying things to using services. There will be new product concepts like self-driving cars and the shared economy. For insurers, this means change of risk ownership.
4. **New Risks** • New technologies bring new risks like cyber, and others we do not know which may arise. There are also changing risks, when things we have been using take on new capabilities.
5. **Engagement** • How will insurers and customers engage? From the contract to paying the premium, how do insurers increase the value they bring to customers? Large tech players may disrupt distribution – there may be new business models and partnerships between them and insurers, since they know more about customers than us but less about risk transfer.

"Speed, experiments, understanding of data will mean a change of culture in the way organisations work…look at how you can create a more agile company so you are able to try out these things."

Talking tech

We asked several executives how technology is transforming their segment of the business.

"At ADNIC, we see technology not just as a business enabler but as a key driver of our product and service offerings. ADNIC was one of the first insurers in the region to develop a mobile interface dedicated to its customers in the UAE. Since the introduction of this mobile application in 2014, the claims management process has been effectively streamlined, enabling customers to make insurance claims through their phone from any location. The growing penetration of mobile devices in the region has meant that this application has now been successfully rolled out to include motor, medical and other insurance products, making it a key driver of our business in the consumer lines."

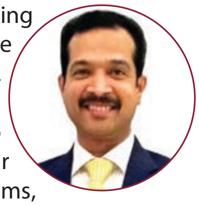
Mr Abdulla Al Nuaimi,
Chief Officer – Shared Services, **ADNIC**

"Technology led innovation is impacting the insurance industry globally and has huge potential for disruption. The insurance market here is in a transition phase; MENA insurers barely contribute 1% of global premiums - many are moving away from the traditional risk-trading model with higher retention rates to advanced risk assessment, claims management, analytics and customer centricityInsurers in MENA have taken first steps to go digital with web portals and mobility platforms yet the potential to automate in MENA is huge."

Mr Prakash Thomas,
Head of Sales, Asia, Middle East and Africa, **CSC**

"IGI's investments in its technology infrastructure and development teams are continuous. We are transitioning our core software to web-based applications, thus heightening mobility to every one of our teams. We are integrating our core systems to enhance our enterprise risk management allow us to deploy capital more effectively."

Mr Waleed Jabsheh, President,
International General Insurance Co Ltd



"At Marsh, we are embracing the changes technology can bring to our clients. Our clients operate in a complex world — one in which seeing the big picture of risk is sometimes difficult. Gaining a holistic view is critical to their success and they expect us to help them obtain a forward view of risk to assess exposures and evaluate, finance and manage their risks. Through the use of various technology based platforms, we are able to provide clients with a new, forward look at risk that enables them to quantify and manage risk through an innovative combination of data, analytics, and technology."

Mr Nixon Thomas, Operations & Technology Leader,
Marsh, Middle East and North Africa

"Technology and its implementation in TPA business has been our winning chip for many years in the MENA region. Our bespoke solutions were a major game changer and had a big influence on the way the insurance business operates in our region. The visibility and transparency of the various processes (enrollment, policy creation, claims authorisation and reimbursement) had increased greatly, helping our customers to have fast and open lines of communication; the automation of most processes in the policy and claims cycle helped our payers and providers to deliver their services at unprecedented speed thus directly increasing the satisfaction levels of policy holders and their beneficiaries."

Mr Christian Gregorowicz, CEO
AWP (Allianz Worldwide Partners) MEA, **NEXtCARE**

"This year, we launched our new online portal, which offers a modern, easy-to-use platform which provides our customers with a 'one stop shop' for their insurance needs.

Our enhanced digital presence enables our customers to manage their insurance requirements online when convenient. This is supported by access to comprehensive product information which ensures they make the correct choice for their life and health insurance needs.

Our new technology is also making our business more efficient, more streamlined and more customer-centric and ultimately more profitable."

Mr Wael Al-Sharif, CEO, **Takaful Emarat**

A.M. Best discusses ratings amid weak global environment

The continuing concern over declining sovereign creditworthiness in economies that are heavily exposed to the recent commodity price weaknesses (particularly oil), has seen a number of sovereign credit downgrades by some rating agencies in reaction to, and in anticipation of, a prolonged cycle of global oversupply and weak demand. Weaker sovereign revenue has led to increased budget deficits, larger government debts, and, in turn, higher sovereign credit risk. A.M. Best addresses some frequently asked questions about its handling of sovereign credit issues and its application of Country Risk in its ratings.

What are A.M. Best's Country Risk Tiers?

A.M. Best's country risk analysis employs a data-driven quantitative scoring system that measures the level of risk present in a given country, plus a qualitative determination of country-specific conditions that affect the operating environment for an insurer. Countries are placed into one of five tiers, ranging from "CRT-1" (Country Risk Tier 1), denoting a stable environment with the least amount of risk, to "CRT-5" (Country Risk Tier 5) for countries that pose the most risk and, therefore, the greatest challenge to an insurer's financial stability, strength, and performance.

Does A.M. Best rate government debt (ie, sovereign ratings)? What is the difference between Sovereign Risk and Country Risk?

A.M. Best specialises in insurance ratings and does not issue a ratings opinion on the creditworthiness of sovereign governments. Sovereign risk does not directly address the underlying operating environment within a country. Country risk, as measured by A.M. Best, incorporates the overall operating environment of a given country in which an insurance company is exposed and must effectively and efficiently operate to meet their financial obligations. Country risk encompasses economic, political, and financial system risks, which creates a more accurate backdrop for the operation of an insurance company in that domicile.

As Country Risk is applied to all A.M. Best's Financial Strength Ratings (FSRs), how is it factored into its Ratings Process?

Country risk is one of many factors considered in evaluating a company. Country risk creates a much more challenging operating environment for a company and is factored into A.M. Best's assessment of balance sheet strength, operating performance, and business profile. The effect of country risk is determined on a case-by-case basis for each insurer and is based on its risk profile and the insurer's ability to address, manage, and mitigate its exposures to country risk.

A.M. Best considers a number of factors, including:

- the level of excess capital held by the company to offset or absorb a deterioration in the operating environment;
- using local market knowledge to improve underwriting performance;
- special terms or conditions to reduce or limit market exposure;
- diversified asset and insurance portfolios;
- risk mitigation measures;
- contingency plans;
- shareholder financial strength and flexibility.

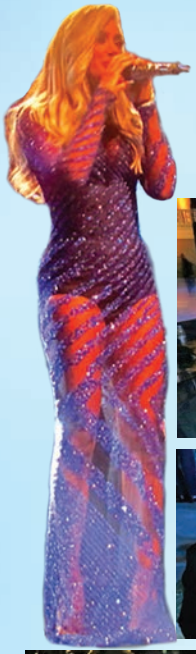
A.M. Best understands, however, that there are some country risk factors that are inherent in markets that must be accepted and cannot be avoided – for example political, social, or regional stability – as a part of the overall operating environment.

Does A.M. Best place a sovereign ceiling on its FSRs?

No. Not placing a ceiling on the FSR of a company is based on A.M. Best's belief that it is possible that a company can be more financially secure than the government of the country in which it is domiciled. Placing a sovereign cap on FSRs ignores a company's ability to manage country risk through risk avoidance, hedging, or acceptance of what cannot be controlled through counter measures like holding additional capital, strong underwriting performance, or diversification. A.M. Best also believes that a sovereign default in a given country, while clearly creating a more difficult operating environment, would not necessarily lead to an insurance company in the domicile failing to meet its policyholder obligations.

A.M. Best delegation at GAIF (L-R)

- **Roger Sellek**, Chief Executive Officer -EMEA & Asia Pacific – Mobile: +65 9018 7026
- **Nick Charteris-Black**, Managing Director, Market Development - EMEA Mobile: +44 7515 575290
- **Vasilis Katsipis**, General Manager, Market Development - MENA, South & Central Asia Mobile: +971 5298 41419

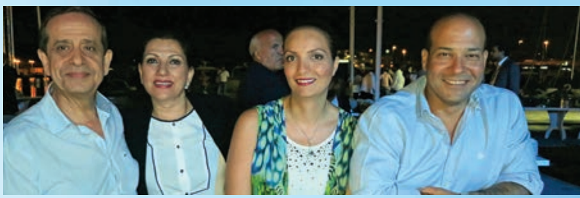


Partying under the stars

GAIF delegates sat back and relaxed under the stars after a full day of meetings on Day 1 of the conference.









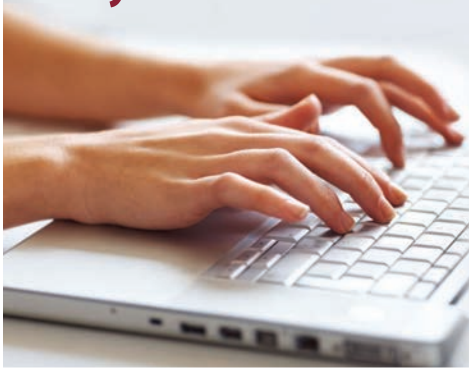



Former Lebanese Commissioner Walid Genadry to be honoured by IAIS

In recognition of his active and significant service to the IAIS, Mr Walid Genadry is being conferred a Distinguished Fellow Award in June at the IAIS Meeting in Budapest.

Mr Yoshi Kawai, Secretary General of the IAIS, said this Award was in recognition of Mr Genadry's significant efforts and personal contributions to the growth and success of the IAIS. He served as regulator of the Lebanese insurance market for a good 13 years where he punched above his weight, having served in various IAIS Committees, including as Chair of the Supervisory Development Working Group, as well as heading the Arab Forum of Insurance Regulatory Commissions (AFIRC).

MICC launches essay contest



The MENA Insurance CEO Club (MICC), a regional industry think tank, is pleased to launch the 3rd MICC Essay Competition at this year's GAIF.

The winner will receive US$1,000 and recognition at the Gala Dinner of the Middle East Insurance Industry Awards in Dubai on 8 November 2016.

The three essay topics to choose from are:

- Disruptive innovation & its impact on the MENA insurance industry;
- Can private companies play a role in meeting pension needs?
- Is there a notable initiative in a market that can be developed into a Pan-Arab initiative?

Entries are limited to those based in the Middle East or doing business in the Middle East only.

Tunis beckons in 2018

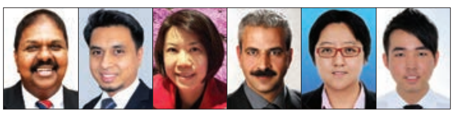
The 32nd General Conference of GAIF will be held in the historic city of Tunis, the capital city of Tunisia.

See you there!

Published by: Middle East Insurance Review www.meinsurancereview.com

Sponsors: A.M. Best www.ambest.com | Trust Re Reinsurer of Choice www.trustre.com

Media Partner: Asia Insurance Review www.asiainsurancereview.com



(L-R): Editor-in-Chief: **Sivam Subramaniam**, Editor: **Ridwan Abbas**, Deputy Research Editor: **Cynthia Ang**, Representative, MENA: **Osama Noor**, Correspondent: **Chia Wan Fen**, Advertising Sales Executive: **Ace W M**, Design & Layout: **Charles Chau**