

# GAIF Daily

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## A Fete for All – and a Feat for the Industry

The long-awaited 27th GAIF Conference is upon us. Bahrain has been waiting and working hard towards this day since the end of the Damascus meeting in May 2006. And it looks set to be a success with no less than 1,600 delegates from more than 45 countries in the world with more than 340 non-Arab industry delegates attending. The whole format has been consciously changed to have active debates on the two hot issues of the day relating to regional pools and consolidation. The format has also been changed to set aside ample time and opportunity for delegates to conduct active business through bilateral meetings and rendezvous.

With Bahrain hosting this biennial event for the second time in history, the event is held under the patronage of Prime Minister Sheikh Khalifa bin Salman Al-Khalifa. Aside from the very prestigious formal openings and exciting social events, the GAIF forum has also created a special platform to look at research through the innovative essay writing competition on two key themes looking at the present with factors likely to influence the Arab insurance markets or the future with the dream of a single Arab insurance market.

There is just so much happening at this 27th GAIF Conference. Led by the Bahrain Insurance Association and the GAIF Secretariat, the organisers have pulled out all stops to make this year's conference not only the largest ever, but also different from its predecessors.

A proud and satisfied Chairman of the Steering Committee, Mr Sameer Al-Wazzan, who strived from the outset to make this 27th GAIF "unique", said: "We believe that future conferences will further evolve to reflect the developments in the Arab and international markets and will have to cater to the changing technological and business patterns.

"The creativity and innovation introduced in GAIF 2008 will set the tone for future conferences. Our aim is to bring more relevance and interactive spirit to this conference," he added.

Mr Abdul Khaliq R Khalil, Secretary General of GAIF said: "The forthcoming conference will be held under the umbrella of a global system which fundamentally depends on free trade. To successfully face increasing international competition, and to become regionally superior, Arab insurance markets must closely coordinate legislations, and insurance companies need to restructure through mergers and acquisitions." This explains the reason for the theme of the Conference: "Towards a more integrated Arab insurance market."

### Interactive Debates

As Mr Sameer said, the uniqueness is reflected in the exciting programme. Unlike past conferences, this year's forum will be conducted in the form of interactive debates instead of the usual speeches. This interactive nature will offer an interdisciplinary perspective on challenges facing Arab insurance markets, while also creating an essentially integrated vision among participants with regards to proposed solutions to overcoming these obstacles, said



Mr Yassir Albaharna

Mr Yassir Albaharna, a member of the Steering Committee and CEO of ARIG, the lead sponsor of this 27th GAIF Conference in their home country.

In line with the conference theme, the first debate, in Arabic, is on the topic of "Are regional underwriting pools the way forward for integrating Arab insurance markets?" The second debate, in English, is on the theme of "proliferation of new insurance companies across the Arab markets is inhibiting consolidation through mergers and acquisitions."

### Essay Competition

The organising committee scored another first with the introduction of an essay competition aimed at stimulating research and innovation, fostering greater scholarly research and provoking innovative solutions to common industry issues. The competition was open to individuals working full-time for any GAIF member company or associate who could research on either one of the following topics: "Applicability of the European Union (EU) insurance regulations to the Arab markets and the modifications needed for adapting them" and "Main factors likely to influence the Arab insurance markets in the coming years". The winners will be announced and feted at the Conference, while the winning entries and their inputs will be hotly discussed and debated for a long time to come.

### Getting the Best



Mr Ashraf Bseisu

Mr Ashraf Bseisu, Chairman of the Bahrain Insurance Association (BIA), which is hosting the conference, has urged all professionals in the Arab insurance market to exploit the opportunity and benefit from the insights of the expert line-up of panelists. So make sure you plan to attend the debates which are bound to be lively and hopefully controversial too.

### The Online Survey

With the stress on being different, the Organising Committee has also used technology through the launch of an interactive conference website, including doing online surveys. Through the pre-conference survey's conscientious list of 25 questions, they have surveyed the mood of the market and will also be doing a post-conference survey to collate feedback and industry comments from the delegates. So make sure you make your voice heard by taking the responsibility to give your honest feedback to this commendable effort.

On the whole, rest assured that you are in for a "fete" at this 27th GAIF Conference in Bahrain. What a FEAT for Bahrain!



Mr Sameer Al-Wazzan



Mr Abdul Khaliq R Khalil

# Why is there so much Interest in the Middle East?



Economic growth is a key factor that is fuelling the development of the insurance market in the Middle East, writes **Mr George Kabban**, CEO, UIB (DIFC) Ltd.

**T**oday, developing a strong foothold in the Middle East is an important focus for insurance and reinsurance companies worldwide. Economic growth is fuelling and sustaining demand for traditional and new insurance products, and companies locally and internationally are realising the investment opportunities the region has to offer.

The Middle East is generally stable, politically and economically, with very few exceptions of certain countries where conditions are not conducive to Direct Foreign Investment (DFI). The GCC countries are the most stable where economic fundamentals are seen to be sound. In the case of Bahrain, Dubai, Abu Dhabi and Qatar, growth is underpinned by diversification away from oil, attractive terms for DFI and by the construction boom.

Increasing population (by 2030 the GCC population is estimated to double) and the growing number of insurable units (housing, industrial establishments, etc), and the shedding of the state's welfare function to the private sector (medical services and hospitalisation) are all factors that will continue to sustain the demand for insurance protection.

## Opportunities

Whenever the Middle East is mentioned, the image of huge construction sites comes to mind. This is particularly the case in the GCC countries, but especially Dubai, which has turned into architects' paradise. The traditional classes of insurance are still dominant with project-related covers being more prominent, ie marine, contractors' all risks (CAR), TPL and in some cases Advance Loss of Profit (ALOP). Although marine insurance is a must for imported goods, the huge construction projects create additional demand for cover albeit restricted to the construction phases. But then once the projects are completed, they are followed by operational covers.

Evidence suggests that most civil engineering projects can adequately be covered locally and reinsurance capacity is secured from the regional centres in Bahrain, Dubai, Abu Dhabi and Qatar. Complex engineering projects, on the other hand, require different levels of expertise and capacity and, therefore, their insurance terms are set in London and other capitals in Europe. The same would apply to operational covers for complex risks.

Energy risks, whether under construction or operating, continue to pose underwriting and risk management challenges that are sought outside the region. Where joint ventures of local and foreign partners are involved, consultancy opportunities, from outside the region, are also sought. The same need arises when international lenders are involved.

Because of their scale and complexity, petrochemical projects,

under construction or in operation, are increasingly executed as joint ventures to secure finance and technological know and the use of intellectual property.

The growing population and the privatisation of public services are creating additional opportunities for P&C covers. These are now becoming keenly competitive because of the opening of the insurance markets and the increase in the number of insurance providers.

## What do the Financial Centres Offer?

International insurance corporations are attracted to these centres because of the low cost of setting up shop and low or no corporation tax. Staying in their home markets in Europe, capacity providers cannot easily compete on the majority of the business with the insurers domiciled in the region or operating from the financial centres. This explains why the regional offices of London insurers can offer substantially lower terms on major risks compared with the terms of their colleagues in London.

Bermuda provides a good illustration as to where the new financial centres may be heading, but it is too early to pass judgement on their future. If successful, they will contribute to changing the international insurance scene where, at one time, the London market and Lloyd's were the international market and the reinsurance market of last resort. The prominent position of London, though still significant internationally and a centre for innovation, suffered in terms of premium income with the development of other centres.

London's competitive edge is claimed to have been blunted by heavy regulation and the heavy cost of providing the service, yet even though its unique standing as a physical marketplace will always continue, we may well witness the emergence of a truly multi-polar international insurance market.

## Why is the Middle East emerging as such a strong force now?

For a long time, insurance has been the poor relation in the economy of the Middle East, but that has changed with the changing of social attitudes, the demands of modern life, the availability of funds for investing in insurance ventures and more recently the rise of takaful organisations and products.

The oil wealth of certain Middle Eastern countries, and the impact of that wealth on surrounding "non-oil" countries, is contributing to the economic growth of the region as a whole. Their prosperity is feeding their hunger for growth and progress, which, in turn, creates further demand for insurance protection.



## WHAT THE LEADERS IN THE MARKET SAY

As a lead-up to the active debate and discussions anticipated at the 27th GAIF Conference, we invited some of the leading insurers in each of the GAIF member countries to share with readers what they saw as the biggest challenges facing the market and how they



### Bahrain National Life Assurance Co (BNL)

#### Mr Patrick Byrne, General Manager

Insurance companies should invest in the long-term in human capital and recognise the need to develop regional experts in all insurance and reinsurance fields, as the one top challenge facing the Arab insurers today is finding quality human resources to move our industry forward.

BNL recognises that investment in training and development is investment that delivers real long-term growth and shareholder returns. However, the pace at which we expand and the availability of these resources is not even closely matched currently.

### Arab Misr Insurance Group (AMIG), Egypt

#### Mr Alaa El Zoheiry, Managing Director

The integrated Arab market should depend mainly on the exchange of the knowledge and the technology within the Arab companies. The first step is to believe in the importance of the training. The decision taken at the previous GAIF meeting in Syria to establish a training institute is a move towards achieving this goal. Arab companies should support this institution and make sure we understand its importance.

The top challenge facing Arab insurers is risk assessment and risk management. Insurers should pay more attention to risk management in order to improve underwriting results.

Three years ago, Arab MISR Insurance Group (AMIG) started to put together a risk-management team comprising professionals which collaborate with clients to identify their specific needs and evaluate the complexity of the client's problems. Our aim is to minimise the total cost of risk for our customers, thereby facilitating earnings and balance sheet protection.



### Gulf Insurance Co (GIC), Kuwait

#### Mr Khaled Al Hasan, MD and CEO

My message to the conference is to focus on:

- Maximising retentions in the region;
- Maximising investments in the region;
- Creating a pool of manpower.

To achieve the above, a more integrated Arab insurance market will be the need of the hour.

Most Arab insurers operate within the countries in which they are registered. Although they have a long history of operations in their respective countries and have created significant net worth over the years, they are hampered by the lack of growth opportunities within their territories. They need to expand to play a meaningful role and move towards market consolidation. This process will lead to significant improvement of their core business and also throw open opportunities not only to use their experience and expertise, but also to gain insight into the peculiarities of specific markets within Arab region.

GIC realised this situation almost eight years ago and started expanding into the region through the process of acquisitions. GIC now operates in six countries in the region and constantly looks for new opportunities within the region. We have also been in the vanguard of discussions for the creation of insurance pools, support any regional effort for the creation of new capacities either through forming pools or forming reinsurance companies. Our target in the next five years is to be the largest regional insurance company.



### United Insurance Co – Libya

#### Mr Ali Soury, General Manager

Trust, confidence, faith and mutual co-operation between our Arab insurance companies is a priority for a more integrated Arab insurance market.

The top threat facing Arab insurers is the lack of trust among them. Arab insurers tend to lean on foreign insurers to protect their rights. This will create an unstable insurance market in their countries and unfair competitions. We are trying our best to solve these issues by communicating and co-operating more.



were coping with them. Human resources, retaining risks within the region and market consolidation were cited as some of the key issues to be tackled. Here, we bring you the views as expressed by these leaders in the market.

### Dhofar Insurance Co (SAOG), Oman

#### Mr Rawny El Sayed Khadr, Vice President, Development & Marketing

As economic development and budget surpluses continue in the region, more projects are being invested in the Middle East. These projects will naturally require insurance which necessitates co-ordination, organisation and support, enhancing mutually beneficial relationships.

With the influx of capital in the region, more insurance companies are being established with limited resources available and are functioning more as brokers than risk transferers.

We have invested in our people to cope with such challenges.



### Syrian Insurance Co

#### Mr Sulaiman Al Hassan, Chairman/ General Manager

Today, the most important focus of Arab insurance market is on creating co-ordination and cooperation among companies. Therefore, all committees which regulate insurance companies should work effectively "Towards a more integrated Arab insurance market" and to achieve as much integration as possible.

The top challenges facing the Arab insurance market are:

- Meeting consumers' expectations;
- Concentration on certain lines such as engineering insurance, aviation and oil which are more profitable, rather than other lines such as life insurance;
- The lack of well-capitalised Arab reinsurance companies which enable them to accept large insurance covers. As a result, most of these covers go to foreign reinsurance companies.

We are doing our best with Syrian Insurance Federation and the Syrian Supervisory Commission to spread insurance awareness and activate personal and life insurance, in addition to strengthening Arab reinsurance companies by giving them the priority of ceding according to their own underwriting capacity.



### United Insurance Co (UIC), Yemen

#### Mr Tarek A Hayel Saeed - General Manager

The Arab market, albeit small, is growing rapidly. Many countries in the region experienced double-digit growth between 2004 and 2007. The insurance market in the MENA region grew at a compound annual growth rate of 12.5% and further growth is expected. Insurance market growth is tied with the economic growth and if the government and private sector are not endeavoring to improve the economy, this will have a negative impact on insurance sector. In addition, the religious opinion of insurance is a challenge as traditional insurance is rejected by the majority and people tend to direct their investments and capitals towards takaful products.

Despite tough market conditions, UIC Yemen has risen to the challenge of enhancing growth and differentiating itself through developing new products and customer service. UIC had a share of 44% of the Yemeni insurance market in 2006.



### Middle East Insurance Co, Jordan

#### Dr Rajai Sweis, General Manager

The theme of this conference has always been the subject of discussion among Arab insurance executives. To achieve this goal, we have to improve our performance, upgrade our markets and provide the level of professionalism expected from us. The rest will follow naturally.

The challenge is to improve clients' confidence in Arab insurers and reinsurers. To do so, identifying the needs of the market and satisfying them properly and adequately is a priority as much as continuous training and upgrading the level of performance of our staff.



## A Quick Walk Down Memory Lane:

# GAIF Conferences through the Years

As we get all set for tomorrow when the debates start, let us take a moment to recall what the past three GAIF Conferences in the 21st century achieved.

### 26th GAIF Conference in Damascus (2006)

With the theme, "Modernising and Developing the Arab Insurance Industry", the Conference with 750 delegates made the following recommendations:

- Insurance companies should design and market insurance products according to the needs of the citizens;
- Control and supervisory bodies should be called on to suggest necessary policy changes according to the needs of insurance companies;
- More health insurance companies should be set up;
- There should be more investments in training and rehabilitating programmes in order to create administrative, technical and marketing staff suitable for insurance companies;
  - Co-ordination and cooperation between central banks and insurance companies should be enhanced.



### 25th GAIF Conference in Beirut (2004)

With 920 delegates, the conference focused on need for greater penetration to reach consumer and more retention of risks by Arab insurers and less reliance on international reinsurers. There were also warnings that competition from international players could threaten local and regional insurers, and calls made for mergers and acquisitions or the exit of smaller or weaker players.

### 24th GAIF Conference in Muscat (2002)

In the aftermath of 9/11 and the ensuing hard market, many international reinsurers were withdrawing from the Middle East as the global reinsurance market was consolidating and fresh capital was headed towards more profitable segments. There were also calls for Arab reinsurance companies to be set up with government backing and the launch of Oman Re was mooted. There were also calls for greater co-operation among Arab insurance markets to develop the insurance sector in the region.



## FAST FORWARD: 27th GAIF Conference in Bahrain 2008

1,600 delegates with the theme, "Towards a More Integrated Arab Insurance Market"

# Bahrain in 24 hours *(without missing GAIF)*

For many delegates, this is their first time to Bahrain. Hence, they are in a hurry to get the best of the Conference and the touristic delights of Bahrain. We have thus ploughed through many pages of tourist literature and come up with recommendations on what to do if you want a taste of Bahraini life but only have one free day.



Riffa Clock Tower



4.00 am

Start the day early with a visit to **Bahrain's fish market** and a **Bacha breakfast**. This traditional breakfast is only available before 5.00 am. There are only a few places in Bahrain where Bacha is available, one of which is a restaurant in **Jidhafs village**. Believe it or not, the place can get quite packed as early as 4.30 am. Do as the locals do by breaking flat bread into a bowl and join the queue at a huge urn of hot soup boiled from sheep's head and legs. This is dispensed into the bowl of bread and mixed in thoroughly.



5.00 am

Drive to the northeast coast to **Hidd** on **Muhurraq Island** to watch the sunrise. Stop at one of the fishermen's beaches and watch them at work with the sun rising in the background.



8.00 am

Head to **Manama** for an early walk through some side streets of the city. Visit shops selling shisha pipes and take a break at a typical Arabic coffee shop in one of the pedestrian-only side streets.



10.00 am

No trip to Bahrain would be complete without a trip to the **souk**, with its profusion of colours, sounds and aromas. Shop for pearls, gold, spices, nuts and sweets, including halwa, a confection which is best eaten warm.



12.00 pm

Cross the 25km-long **King Fahad Causeway** which links Bahrain and Saudi Arabia and is one of the longest bridges between two countries in the world. Most visitors will need a visa to enter Saudi Arabia, but don't let that stop you from driving down the causeway up to the midway point. Here, you can have lunch at the Causeway Restaurant and take in the spectacular view across the seas to both countries.



2.00 pm

Get mystified with the **Tree of Life**, the shady mesquite tree in the desert in all its solitary splendour. To this day, its source of water remains a mystery.



3.00 pm

Visit **Bahrain Fort**, one of the most important historical sites in Bahrain. Located on the north coast, the fort was built in the 14th century, but excavations reveal it to be the site of settlements dating back to the Dilmun era, or around 3,000 BC.

In the early 1500s, the Portuguese, who viewed Bahrain as a key point to protect their trade routes between India, Africa and Europe, invaded the island and set up their military base at the Bahrain Fort. To this day, the fort is still sometimes referred to as the Portuguese Fort.



6.00 pm onwards

Explore desert living with an evening in a **traditional desert camp**. Starting at sundown, the camp lasts well into the early hours of the morning.

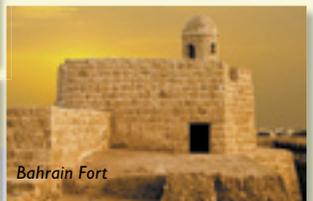


Spices at the souk

If you need help, call Arab World Tours (tel 9637737) or Bahrain Explored (tel 211477).



King Fahad Causeway



Bahrain Fort



Tree of Life

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