

GAIFF Daily Day 3



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Local insurers can do more to help themselves

Domestic insurance players should overcome the hurdles in the market by tapping on their inherent advantages and learning to be more self-reliant, said speakers at yesterday's first session on how the Arab insurance industry should convert uncertainty into opportunities.

The crowded marketplace cannot be blamed on reinsurers who are just here to take advantage of business opportunities, said **Mr Christian Kraut**, Munich Re's Chief Executive for Middle East & Africa. Maintaining that the insurance market remains promising as a whole, he added that "everyone has to select his own niche. Not all lines are attractive. It's a matter of assessment and perception."

There is no easy answer to staying profitable amid cut-throat competition, but what are CEOs doing about it, asked Mr Kraut. "Blaming other players is not enough. Too many insurance companies act like brokers. They should make the decision – to be a risk trader or be a risk manager?"

And while acknowledging the advantage of domestic companies in understanding their markets, he issued the challenge: "Are you doing enough to provide services to clients which they appreciate? Do you wish to deal with prices that low?"

Tackling the fear of MNCs

In response to a concern raised by a member of the audience about the influx of MNCs, Mr Kraut gave the assurance by giving the example of Japan which had not witnessed any takeover of their markets by foreign companies. In fact, MNCs bring benefits like providing and transferring knowledge. "The question is, do the local players adopt it?"

One member of the audience questioned whether reinsurers like Munich Re have done to help local players increase retention during the 2010 renewals, knowing that there had been a price war since 2009. Mr Kraut responded that Munich Re had been talking to clients, but "when we push for less capacity, clients walk away because there are others who will give more capacity. It's tough. When there is so much capacity around, there is no solution."

Thinking out of the box, certain members of the audience proposed other means of tackling the region's problems:

- On the topic of training and development, **Mr Kays Mudaries**, General Manager of the Arab War Risks Syndicate suggested that GAIFF members set aside 10% of their profit to this end.
- Reinsurers have to share their know-how with direct insurers, said another delegate. "If they don't share, challenge them to do so. It's up to you to get something from your reinsurer. It's not enough to just meet twice a year."

- Despite the plethora of reinsurance players, the region still lacks specialty reinsurers. "Here, everyone does everything," commented Mr Kraut.
- M&As are but one solution to the problem of fragmentation as integration can be carried out at various other levels.

Clearly with the same challenges highlighted time and again over the last few years, one critical factor that is lacking in improving the state of the Arab insurance industry is the will to do so. As **Mr Ghazi Abu Nahel**, CEO of Trust International Insurance Co, pointed out during the Q&A session: "There is a lot of potential, but are we ready to (maximise) that with the right attitude?"

Finding the opportunities in uncertainties

During his presentation on turning uncertainties into opportunities, Mr Kraut encouraged insurers to look into risk mitigation solutions in a number of areas ranging from natural hazards to financial crises.



Mr Christian Kraut

He pointed out that although the region is relatively free of natural catastrophes, studies have shown the risk of a large earthquake "at some point in the future". In fact, fault lines in Iran give rise to the possibility of a 7.5-magnitude earthquake that could affect neighbouring countries like the UAE. "About 100 years ago, a major earthquake would have moved a few sand dunes and destroyed a few tents," he said. "But now with Dubai as a major commercial centre, things are very different."

He also highlighted the fact that the financial crisis had thrown up the importance of ERM in understanding and managing risks. In addition, Solvency II provided the opportunity for the Arab industry to benefit from learning from other countries' experience as the principles "will be applied to Arab markets at some point".



Mr Kays Mudaries



“I have a dream”

In his wide-ranging overview of the Middle East insurance industry which has failed to keep pace of the dynamic growth and developments in the region, **Dr Mohammad Halaïqa** drew from his wide-ranging experiences as a regulator, an academic and a keen observer of the market to share his dream with the 350-odd delegates:

“I have dreams for the industry, if not to be achieved today to be realised soon or over time.

“I have a dream that there will be at least one merger or acquisition in each of the Arab insurance market;

“I have a dream that there will be a higher strategic council established to take important binding Pan-Arab decisions;

“I have a dream that there will be more Arab reinsurers formed to help with the reinsurance needs of the Arab insurers;

“I have a dream of a dynamic human resource training centre being established;

“I have a dream that a big and strong pan-Arab insurance company will be set up; and

“I have a dream of a strong stable and powerful Arab insurance industry emerging.”

He ended off with the powerful note eschewing the status quo mentality with the poetic message: “I know that if you don’t learn to climb the mountains, you will always be condemned to stay in the valley or the cracks only”.



(L-R) Dr Jawad Hadid, Chairman of the Jordan Insurance Federation; Mr Abdul Khaleq Raouf Khalil, GAIF Secretary General; and Dr Mohammad Halaïqa, Chairman of Al Barakah Takaful Co

HE Dr Bassel Hindawi to step down at end-May

Director General of the Insurance Commission (IC) of Jordan, HE Dr Bassel Hindawi, has tendered his resignation as Commissioner and will step down on 30 May, concluding over a 10-year period at the helm of the Commission.

Leading the IC since its establishment in 2000, Dr Hindawi has made a significant contribution to the national economy by developing one of the key financial sectors in Jordan, the insurance sector, which quadrupled in growth over the last 10 years.

He succeeded in putting Jordan on the international map, promoting the country aggressively as a regional hub for international insurance and reinsurance services in the MENA region.

Dr Hindawi also led a strategy to enhance the efficiency of the insurance sector and modernise the regulatory framework to be prudent yet business friendly. Today, the IC is recognised as a model regulatory authority in the region.

In addition, he led the initiative to establish the Arab Forum of Insurance Regulatory Commissions (AFIRC) in late 2006, as a regional driving force for insurance regulation by promoting collaboration, transparency and adoption of international standards.

Among his international affiliations, Dr Hindawi has served as the President of the International Association of Insurance Fraud Agencies (IAIFA) and represented the MENA region on the Executive Committee of the International Association of Insurance Supervisors. He has also served as a member of the Board of Directors of the International Insurance Society (IIS).



Trust Re forms assistance provider

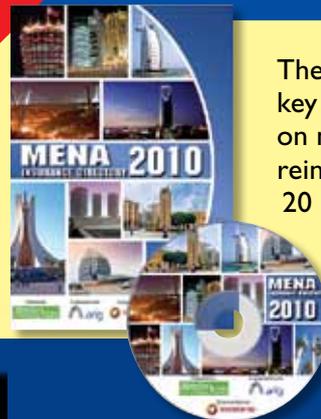
Trust Re has set up a new company, Afro Asian Assistance (AAA) to offer assistance-related products and services under reinsurance schemes and service agreements supported by Trust Re.

These services include assistance pertaining to worldwide travel, MENA region travel assistance, Hajj and Umrah and roadside insurance.

AAA will be headed by **Mr Omar Baba**, who has more than 20 years of experience in this business, of which the last 11 years were in the MENA region.

3rd Edition

MENA Insurance Directory 2010



The directory encapsulates key corporate information on nearly 400 insurance and reinsurance companies across 20 markets in the Middle East and North Africa region.

Order at www.meinsurancereview.com

Takaful: Facts & figures

Saudi Arabia

generates the **most** contributions at **US\$2.9 billion**.

Malaysia is next at **US\$950 million**.

The number of Islamic insurance operators worldwide is

190

The word “**takaful**” is derived from the Arabic word “**Kafala**”, meaning mutual guarantee.



Malaysia and **Bahrain** are the only countries with **dedicated takaful legislations** in place.



GWP for takaful globally is **US\$9.4 billion** which is less than **0.01%** of global insurance premiums of **\$4.3 trillion**.

All figures as of 2008, taken from *World Islamic Insurance Directory 2010*. Get your copy from the MIR booth!



NEWS of the DAY

- ▶ Global software piracy cost more than US\$50 billion in '09
- ▶ Euro ministers to fix details of anti-contagion plan; sovereign debt crisis now threatens US economy
- ▶ Asian stocks mostly higher as investors eye growing global economy beyond Europe turmoil
- ▶ Iran hopeful world powers will accept nuclear deal
- ▶ Prudential announces terms for a US\$21 billion deal, seeks investor backing

What do you think of GAIF's role in the post-crisis era?



The global financial crisis has created new conditions which need to be considered and dealt with. I suggest forming a committee within GAIF's framework to look into the effects of the crisis and how to strengthen the financial and technical foundations of our markets to avoid similar effects in the future. GAIF should also take developments such as EU's adoption of Solvency II into account.

Ms Fatima Mohammed Ishaq Al Awadhi,
Deputy General Director, UAE's Insurance Authority

GAIF has a huge role in the post crisis era which includes coordinating Arab efforts to best utilise our regional capacities before resorting to overseas foreign markets. GAIF as an organisation should put a proper roadmap to achieve this goal and continuously follow up on its application through constant meetings in addition to the General Conference. This is very important as we have seen from the crisis that foreign players usually transfer or export their crises to the emerging markets to make up for their shortfalls and we need to achieve full independence to be more immune and keep growing.



Mr Abdellatif Chaabane,
Chef du Comité Général des Assurances,
Ministry of Finance, Tunisia

GAIF's role has been always pivotal but definitely it gains more importance in the post-crisis era and this should be understood by members as well. The Secretary-General has been active in communicating with Arab markets and trying to upgrade the organisation, but GAIF's strength comes from its members as we all need to put in concerted efforts to achieve exemplary standards in the industry. I believe that we as Arab insurers can create a united body as other groupings have done in various continents and no other body is entitled to take this initiative but GAIF.

Mr Mohammed Mazhar Hamadeh,
GM, Al Ain Ahlia Insurance Co



Arab insurers are facing greater challenges, post-crisis. GAIF, as the largest Arab insurance organisation, should play a vital role in consolidating the Arab markets and work on creating regional insurance pools to cede a larger share of premiums within the region. It is GAIF's responsibility to find a unified vision for the region's players and further build joint cooperation between all market parties including regulators and federations on regional level. Such measures will protect our region from future risks or crises.

Mr Tarek A Hayel Saeed,
GM, United Insurance Co,
Yemen



I believe that GAIF has played and will continue to play a key role in connecting Arab markets together and helping companies increase their levels of professionalism. After the crisis, it has become more evident than ever that our industry needs consolidation and this can't be achieved without the cooperation of all markets. GAIF would be the best body to assume this mission.

Mr Mohammad Khalil Mohammad Alsa'bi,
GM, United Insurance Co, Syria

PETRA highlights

"Rose red city half as old as time"
– "Petra" by John William Burgon

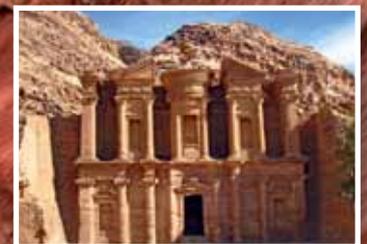
The Siq (main picture), a narrow gorge of over 1 km that leads to Petra. To reach the start of the Siq, visitors must first walk down a wide valley known as Bab as-Siq. There are minor carvings spotted here and there throughout the Siq, but the most impressive sights are the colorful and unusual sandstone patterns in the rock walls. There are also remains of terracotta pipes built into the sides of the canyon that were used in Roman times to carry water.



The Treasury
(al-Khazneh in Arabic)
About 40 metres high, completely carved in the rock, this is the most impressive and famous building of Petra. Kazneh means treasure – it has been rumoured that the urn atop the Treasury contained a Pharaoh's hidden treasure, and the urn bears the bullet pockmarks left by Bedouin travellers who have tested the theory through the years.



The Street of Facades is lined with tall impressive tombs with large facades or false faces on their fronts. The street eventually leads down to the heart of the city proper.



The Monastery (ad-Deir) – the largest carved monument in Petra. The interior, like that of the Treasury, is puny in comparison to the facade. The more than 800 steps up to the Monastery can take over an hour; many visitors choose to ride donkeys up to the top.

A historical timeline of Petra, or "rock" in Greek

Around 6th century BC

Petra is established by the Nabateans, a nomadic tribe who settled in the area

Around 100 AD

Roman empire takes control of Petra

1812

Rediscovered by Swiss explorer Johann Ludwig Burckhardt

1985

Designated as a UNESCO World Heritage Site

2007

Named one of the "new seven wonders of the world"

GAIF parties under the moonlight

Following the first day of meetings and workshops, it was time to unwind as GAIF delegates attended the dinner party hosted by Nasco Karaoglan. The outdoor arena at the Movenpick Hotel was a great setting for all the guests as they enjoyed excellent food and mesmerising performance while catching up with friends and colleagues.



Marhaba Maroc

The next GAIF Conference will be held in Morocco in 2012.

See you at the next GAIF!

– From all of us at **GAIF DAILY**

Look out for more details in your copy of the *MiddleEast Insurance Review* magazine or visit our website at www.meinsurancereview.com



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