

Published by:

MIDDLE EAST
INSURANCE REVIEW

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INSURANCE REVIEW

Risk landscape to be shaped by urbanisation and digital revolution

The current global risk scenario has two main features – urbanisation and digital revolution, said Mr Cameron Murray, Head of Middle East & Africa, Lloyd's of London, in his guest address.



Mr Cameron Murray

Urbanisation

Urbanisation, while improving human life on several counts, is also concentrating high-value assets in cities, and this can result in a risk-management challenge. Today, cities are exposed to three kinds of threats: man-made, natural and emerging threats. Such a huge concentration of risks makes cities highly vulnerable.

According to a Lloyd's study of the 301 cities globally, total GDP concentration is around US\$4.56 trillion. Man-made threats alone account for around \$2.13 trillion worth of GDP at risk in these cities.

Digital revolution

Digital revolution is something that is mind boggling, said Mr Murray. According to market statistics, every day we create 2.5 quintillion bytes of data. In 2016, global mobile subscriptions numbered 7.4 billion. All these would have a significant impact, especially with the rapid changes taking place in the needs and expectations of customers.

Cyber crime

The cost of cyber crime is predicted to hit \$2 trillion globally by 2019 and, though the awareness of cyber risk is increasing, it is very gradual and not fast enough. In addition, it has both visible and hidden costs. Presently, the insurance industry is expected to protect digital and physical assets of the insured. Products need to be delivered in ways that are efficient, low cost, dynamic, smart and flexible.

Technology will drive solution

Mr Murray said solutions for such problems will increasingly be technology driven. It is already happening in the use of data and algorithms, eg, comparison websites and telematics in motor insurance.

InsurTech & disruption

Speaking on Insurtech and the dawn of the disruptors, Mr Murray said InsurTech would fundamentally change the way insurance is sold, claims are assessed and risk is commoditised. It would make distribution more streamlined and cheaper.

Mr Murray emphasised the need for ensuring that the talent and recruitment programme of the industry prioritise diversity and inclusion, and promote innovation to enable the industry to get closer to its customers.

Opportunities & the way ahead in FAIR

Afro-Asian economies have achieved healthy growth in the last decade, especially in sectors like petrochemicals, infrastructure and telecommunications where there was significant progress, said Mr Abdul Rahman Al Baker, Executive Director-Financial Institutions Supervision, Central Bank of Bahrain, in his special address.



Mr Abdul Rahman Al Baker

Consequently, the insurance industry in these countries has experienced steady growth on the back of this tremendous economic development, improved regulatory environment, and increased public awareness.

Compulsory health insurance & takaful lead growth

Growth in the GCC insurance industry has quadrupled between 2006 and 2016, with premiums rising to US\$26 billion at the end of 2016 from \$6.4 billion in 2006, said Mr Al Baker.

"One of the major force behind the industry's growth in recent years has been the implementation of compulsory health insurance schemes in various jurisdictions, as well as the outstanding demand for takaful products which create strong growth avenues for insurance companies in the region," he said.

New products need of the hour

There is significant demand for a range of insurance products – from health, life, agriculture, property to catastrophe covers.

Therefore, insurance regulators in Afro-Asian countries need to ensure that the insurance market remains stable and continues to

strive and prosper in these economies.

Regulations must keep pace with developments

Mr Al Baker said it is important that regulations be dynamic, up-to-date with market changes and in line with international best practices, so that the balance between proper regulation and market development is maintained. Regulations also need to encourage the development of new lines of insurance business like takaful, captives and microinsurance, he said.

Education vital for qualified talent

Mr Al Baker also called upon the insurance industries in Afro-Asian countries to build the talent base through offering multi-faceted insurance education in universities and private training centres. This will guarantee the necessary supply of highly qualified talented personnel to meet the growing demands of the market and regulatory authorities in these countries.

InsurTech to reach out to new digital customers

Although the global insurance sector is on the brink of a major disruption, Mr Al Baker noted that very few insurers in Afro-Asian countries are putting InsurTech as a top priority in their corporate strategies.

Consumer habits are evolving rapidly, and more and more clients expect insurance offerings to cater to their specific needs. InsurTech can be the facilitator to meet these needs, and if insurers do not urgently incorporate InsurTech into their core strategies, they risk going out of business.

Plenary Session I:

Regulatory challenges in FAIR-Land

The burden of compliance and the complexity of regulations is growing very rapidly, said Dr Kai-Uwe Schanz, Chairman and Founding Partner of Dr Schanz, Alms & Company AG and Member of the Board of Directors, Trust Re. Dr Schanz chaired the first Plenary Session on regulatory dynamics.

Risk-based solvency implementation a challenge

It would be a big challenge for the Indian insurance industry to move to a risk-based solvency regime, said Mr P J Joseph, Member (non-life), IRDAI. Risk management in India is very different compared to that of other insurance markets, he said. This is especially true for the recently introduced crop insurance scheme.

Another major challenge is that though the infrastructure and other industries are growing, insurance penetration is a growing but not at the desired pace. There is still a large challenge as far as the protection gap is concerned. The only consolation is that insurance coverage is certainly growing through several government-sponsored insurance schemes in both life and non-life categories.

Strong mechanism for protection of policyholders' interest

The next panelist Mr Hassan Boubrik, President, Supervisory Authority of Insurance and Social Welfare (ACAPS) of Morocco said while the Kingdom has made significant progress in the spread of insurance awareness, it still faces three major challenges. These include the implementation of risk-based solvency regime, development of a

strong mechanism for protection of policyholders' interest, and the overall growth of the Moroccan insurance market.

Mr Boubrik said ACAPS lays tremendous importance on corporate governance, customer interest protection and public disclosure regulations.

Challenge in enforcing regulations

Ms Grace Mohamed, General Manager Insurance, The Namibia Financial Institutions Supervisory Authority, said that her country has two major challenges in the form of transition to risk-based solvency regime and how best to bring about consistency in the enforcement of regulations for various financial institutions.

Balancing the interests of policyholders and insurers

Next panelist, Mr Arup Chatterjee, Principal Financial Sector Specialist, Asian Development Bank, Philippines, spoke about the regulatory environment becoming complex and the regulators coming under tremendous pressure to not only protect the policyholders' interest, but also to ensure the health of the insurers and improve penetration.

Mr Chatterjee mentioned that nowadays the tendency is to shift the risk from the government to the insurers. Though risk management has evolved and is evolving across the globe, much more needs to be done in this area.

He said the area of talent development for the insurance industry has not received the desired attention, and there should be an urgency in this regard on the part of all stakeholders to ensure that talent development is given the top priority.

Need for access to the vulnerable sections of society

The last panelist Mr Oscar Verlinden, Advisor-Access to Insurance Initiative, emphasised the need for providing access to insurance for the most vulnerable sections of society. Mr Verlinden said there should be a mechanism to ensure this.

(Left to right): Mr Hassan Boubrik, Dr Kai-Uwe Schanz (Panel Chairman), Mr P J Joseph, Ms Grace Mohamed, and Messrs Oscar Verlinden, Arup Chatterjee



Plenary Session II : Digital Strategy for Insurance – Product Innovation and Practical solutions

Traditional insurance model challenged by tech changes

The Plenary Session on Digital Strategy for Insurance saw a lively discussion on how the traditional time-tested insurance business model is now being challenged by technological and behavioural changes.

Data analytics and digitised processes are reshaping the insurance market and the industry must quickly adapt to these changes to stay relevant.

"IoT is here already, basic AI is starting soon and Mr Robot will be around in another year," said Mr Bernd Kohn, CEO, Munich Re, Middle East and Africa. He highlighted the immense scope of the cyber insurance market which he believes will touch \$10 billion by 2020. "Cyber insurance will become a game changer to our industry landscape in most product classes," he said.

Prof Dr David M Dror, Chairman and MD, Micro Insurance Academy, spoke on the need for insurers to reinvent their customer relationship strategies that would ensure fairness and offer an interactive experience to customers of every level.

In a detailed presentation on the healthcare wellness paradox, Mr Zaheer Alli, Head of New Business, Vitality, South Africa spoke on how his

company's wellness offerings are enabling a shared value approach to insurance that delivers value to all stakeholders. "Vitality integrated insurance focuses on wellness and it allows for a completely differentiated insurance proposition and enables a physical manifestation of the brand," he said.

The panel was chaired by Mr Ronal Klein, Director, Global Ageing, The Geneva Association and included Mr Corneille Karekezi, CEO, Africa Re.



Mr Ronal Klein



(Left to right): Prof Dr David M Dror, Messrs Zaheer Alli, Bernd Kohn and Corneille Karekezi

Expectations for 1 January renewals

Reinsurance players weigh in on what the January 2018 renewals would look like.

"This year we have seen typhoons in Asia, eg, Hato, but much more significant was the impact of Hurricane Harvey in the US and the September events: Hurricane Irma, Hurricane Maria and the Earthquake near Mexico City. The retro and reinsurance markets will face significant loss burdens, and we believe there will be a noticeable correction of prices and terms and conditions on a global basis, more so in the more affected markets and treaties."



Dr Peter F Hugger, CEO, Echo Re



"Although there has been an improvement in the risk management of the cedants following the recent fires particularly in UAE, we cannot say that it helped the rates to increase. There is still plenty of capacity in the region meaning that the soft market conditions will prevail in the upcoming 2018 January renewals."

Mr Gökhan Aktaş,
Head of Department, Foreign Inward Business,
Milli Reasurans T.A.S.



"The 1 January property and casualty reinsurance renewals will not be significantly different from the prevailing soft market conditions. Competition is fierce, and it is challenging for insurers/reinsurers to continuously meet the growing expectations of clients. We expect stability in prices and conditions for the treaty renewals, but opportunities await innovative players providing value-added services."

Mr Khaled Nouri, COO, Oman Re

"We expect to see minor stabilisation during the January 2018 renewals following the frequency of risk and CAT losses. The pricing pressures will ease but not disappear. Trading conditions remain challenging for market participants due to surplus capital, economic and geopolitical pressures."



Mr Kamal Tabaja,
Group Chief Operating Officer, **Trust Re**

"Geopolitical and economic situations affect every reinsurer, but I don't think it will create any hindrance during the renewals in 2018. Historically insurance has bravely faced every kind of crisis and has continued its journey to date. The industry currently faces internal challenges such as a soft-market scenario and is struggling to balance between under-writing and under-rating."

Mr Manoj Zagariah, Director – Reinsurance,
Protection Reinsurance Brokers



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Arig Night Out

ARIG hosted a dinner for delegates of the 25th FAIR Conference at the open lawns of the Gulf Hotel. Delegates were treated to an "international culinary celebration" where cuisines from different parts of the world could be sampled. The FAIR Hall of Fame Award Ceremony was also held during the evening and Mr Atul Boda, Chairman, J B Boda Reinsurance Brokers was inducted into the Hall of Fame. Local artistes performed music and dance after which a "live" band belted out rock-and-roll music much to the delight of delegates.



Mr Atul Boda (centre) receiving the Hall of Fame Award from Dr Adel Mounir (left), Secretary General of FAIR in the presence of Mr Yassir Albaharna (right)



Quote of the day

"FAIR is a perfect platform for this exciting group to exploit the perfect opportunities the region presents for insurance to grow rapidly."

Mr Zainudin Ishak,
President & CEO,
Malaysian Reinsurance Berhad (Malaysian Re)



See you at FAIR 2019 in Morocco!

Morocco will host the 26th FAIR Conference in 2019. The last time the conference was held there was in 2007. Morocco is one of the founding countries of the federation and its state-owned reinsurer Société Centrale de Réassurance (SCR) manages FAIR's Aviation Pool which was established in 1985.

Mark your diary!



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31 October – 2 November, Singapore
Theme: "New Partnerships in Reinsurance"
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Official Keynote: Dr Moses Cheng, Chairman, Insurance Authority, Hong Kong
Industry Keynote: Mr Mark Saunders, Group Chief Strategy and Corporate Development Officer, AIA Group

The Summit will give you a quick overview of investment trends to get optimum returns by insurers in the RBC/ALM era as well as a chance to network with illustrious investment experts.

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