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Welcome to Marrakech!

The theme of the 26th FAIR Conference, 'New economic barriers in Afro-Asian insurance markets', will tackle the barriers of growth, especially the need to deal with the regulatory developments and their consequences.

FAIR was created to achieve economic integration among Afro-Asian countries in response to the competition from global players in the reinsurance markets. The Federation has been active in setting up reinsurance bodies for members to share risk, and benefit from their capacities, including the non-life reinsurance pool, aviation pool, Nat CAT pool and the FAIR Oil & Energy Insurance Syndicate (FOEIS).

FAIR will continue to work hard to meet members' expectations, and improve the level of services in their markets. Our Afro-Asian markets have great potential, and FAIR aims to continuously boost and strengthen the industry. We hope this year's conference will meet the delegates' aspirations in getting the opportunity to do business, discuss fresh ideas and strengthen ties."

Dr Adel Mounir, FAIR Secretary General



On behalf of the Federation of Afro-Asian Insurers and Reinsurers (FAIR) encompassing more than 245 insurance and reinsurance companies, the Société Centrale de Réassurance (SCR) and all the members of the organising committee, I have the pleasure of welcoming you to the 26th FAIR Conference in Marrakech.

SCR will turn 60 in 2020 and we aim to continue our development locally and internationally. Next year will be an important year for us as a regional reinsurer with the launch of the new catastrophe model on 1 January. Our main objective is to find the best reinsurance solutions.

The coming period will also see the launch of a new strategic transformation plan driven by three pillars: client service and access facility; risk knowledge and appetite management; and capital strength and improvement of ratings.

The Moroccan insurance market has been doing well lately, recording an interesting jump during the last five years with the turnover amounting to MAD41.35bn (\$4.32bn) in 2018 compared to MAD38.97bn in 2017.

I hope that having the FAIR conference in Marrakech will result in the forging of new partnerships, the promotion of the local insurance and reinsurance industry and more economic opportunities for the sector and the tourism market.

I hope you will share in this unique experience and take advantage of the effort put into this promising 26th conference."

Mr Youssef Fassi Fihri, President, FAIR organising committee; CEO, Société Centrale de Réassurance (SCR)



FAIR Bahrain hit double milestones

The last general conference for the Federation of Afro-Asian Insurers & Reinsurers (FAIR) held in Bahrain in 2017 achieved excellent coverage and a high attendance record, said Mr Yassir Albaharna, outgoing president of FAIR. "It was the first time ever that the FAIR conference was held within the Gulf region," he said. It also hit another milestone in the history of the conference as 2017 marked its 25th anniversary.

The event, he added, re-emphasised Bahrain's prominent status as a regional (re)insurance hub within the FAIR-land.

"The organising committee (for FAIR Bahrain), headed by Mr Nabil Hajjar, spared no effort in making the conference a distinctive one by introducing an interactive app through the whole conference chain – from the registration process to booking of appointments. It galvanised wide local and regional support through the Bahrain Insurance Association and the two major

corporate sponsors – Arig and Trust Re. It also attracted first-class speakers who presented a wide range of relevant industry topics. The warm hospitality of the Bahraini people, coupled with the unequivocal support from the Central Bank of Bahrain, were instrumental in making the conference a memorable event," said Mr Albaharna.

He added that FAIR Bahrain had raised the bar for the industry. "But I am equally certain that our conference host in Morocco will also excel and leave their own footprint. On behalf of Bahrain, we wish them all the success."

Chairmanship of the FAIR organisation rotates every two years from one host country to another. Mr Albaharna headed the organisation for the term 2017-2019.



Mr Yassir Albaharna

Visions of China

In spite of the uncertainty caused by the trade war with the US, China remains a most attractive market for the world's (re)insurance community because of its sheer size – and the amount of infrastructure that needs to be built and insured.

By Paul McNamara

Is it any wonder that China is the focus for so many businesses around the world looking for the prospect of fresh growth? According to Swiss Re's first sigma report for 2019, "The outlook for insurance markets in emerging economies remains strong, even as cyclical and structural factors weigh on overall macro growth prospects. The share of global premiums from emerging markets lags their share of world economic output, indicating upside potential for insurance demand."

The reinsurer went on to say, "We expect the emerging market share of global insurance premiums to increase by about 50% over the next 10 years. Our forecasts show that emerging Asia will lead the charge for premium growth, expanding by three times the world average over the next two years, and China becoming the biggest insurance market in 15 years."

Big means big

The biggest insurance market in the world is big indeed – as the raw numbers show. In the first three quarters of 2018, non-life companies' gross premiums increased 12.7% to \$127.6bn, while life insurers' gross premiums dropped 3.5% to \$316.87bn, according to Willis Towers Watson's 2019 Asia Market Report. Chinese insurers' total premiums amounted to \$125.3bn, and foreign non-life insurers' total premiums, \$2.3bn. Domestic capacity remains strong with intense competition among local insurers.

The report went on to say, "The insurance market, as part of the financial industry, will further open up with significant drive from the government. After Allianz Group was given the green light to set up China's first wholly foreign-owned insurance holding company in Shanghai in 2019, AXA Group announced plans to buy out the partners of its China joint venture, AXA Tianping Property & Casualty Insurance."

China, in other words, has all the hallmarks of the pot of gold at the end of the rainbow – for insurers and reinsurers alike. It is the reason that Allianz Re, Munich Re, Hannover Re and a host of others have joined Swiss Re in making regular pilgrimages to China.

Barriers to entry

It is important not to give the impression that China has simply thrown open its doors to competition – and some regional players have had to take it slowly. Some of the region's smaller reinsurers only have representative offices in China and so can only offer liaison services in the country. This is why these same players keep most of their China teams in Singapore or Hong Kong.

There is a requirement in China before a reinsurer can set up a branch office that it must have \$5bn of assets and not all local entities have that kind of heft – even though their parent company might.

Belt and Road Initiative

No conversation about China would be complete without mention of the vast swathe of infrastructure projects around the world promised by China's Belt and

Road Initiative (BRI).

"The BRI aims to create markets through connectivity, whereas the greater bay area development is concerned with coordinating the development of 11 cities. Hong Kong is designated by the central people's government to provide insurance and reinsurance for the two mega initiatives," said Hong Kong Insurance Authority CEO Clement Cheung.

He added, "The preferential treatment under the China risk oriented solvency system reached in July 2018 represents a significant step forward that enables our reinsurers to compete on an equal footing with counterparts in the mainland. Some big international names have already expressed an interest in knowing more about this game-changer."

All eyes on China

The preoccupation for securing new business from emerging China is a global phenomenon and not merely restricted to neighbouring Asian markets. AXA XL chief executive Peter Schmidt said, "In terms of a lines of business perspective for us, we are looking at property insurance – and agricultural is a business which is growing fast, particularly in China and India. These are the two markets we watch and to some extent, we participate in these lines of business."

"We have been in China over 10 years as reinsurers," said Mr Schmidt. "At this point, we are looking at opportunities, but our appetite and our participation in China is not growing as quickly as the market is growing."

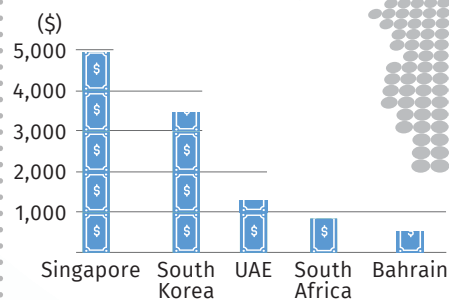
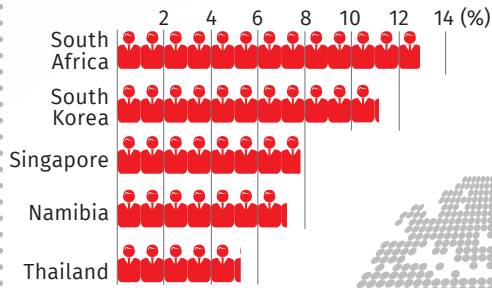
And it is clear that the focus of the China market is not a transient affair – but one that will continue to grow as time goes by. "We are looking at maintaining and building our existing relationships as well as looking to build new relationships," said Mr Schmidt. "This goes for the nationals and the more regional players. But there are new companies or new carriers opening almost on a quarterly basis in China. We are very interested to get to know them and find out about their risk underwriting strategies and potentially enter into new business relationships."



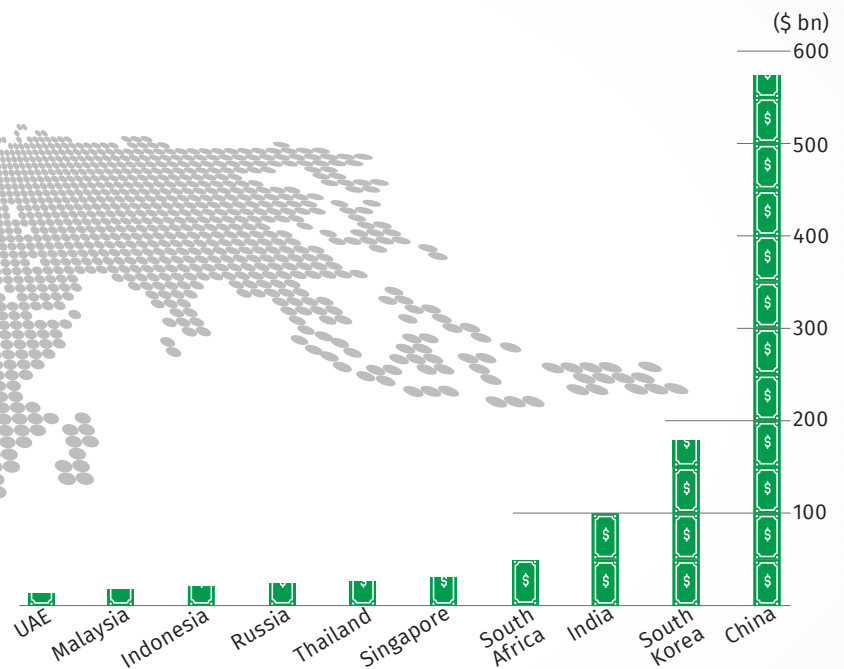
FAIR *statistically speaking*

All figures are in US\$ unless otherwise indicated

Top 5 FAIR member countries by insurance penetration



Top 5 FAIR member countries by insurance density



Top 10 FAIR member countries by total premiums

Source: Swiss Re's sigma

FAIR Non-Life Reinsurance Pool

Established: 1974

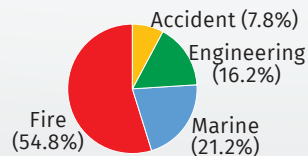
Managed by: Milli Re (Turkey)

Number of members: 41 = 14 from Africa + 27 from Asia (2018)

Subscribed capacity: GBP18m for fire & engineering per country (2018)
GBP3m for other branches per treaty

Gross premiums: GBP41.4m (2018)

Premiums breakdown by line of business: (2018)



FAIR Aviation Pool

Established: 1989

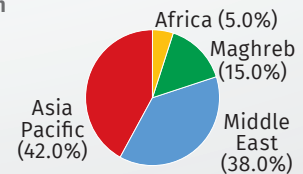
Managed by: Société Centrale de Réassurance (Morocco)

Number of members: 26 = 13 from Africa + 13 from Asia (2016)

Subscribed capacity: \$34m (2017)

Gross premiums: \$5m (2017)

Premiums breakdown by region:



FAIR Oil & Energy Insurance Syndicate

Established: 1999

Managed by: Trust Re (Bahrain)

Number of members: 21 = 7 from Africa + 14 from Asia (2019)

Subscribed capacity: \$25m (2017)

Gross premiums: \$25m (2017)

FAIR Natural Catastrophe Reinsurance Pool

Established: 2013

Managed by: GIC Re (India)

Number of members: 13 = 2 from Africa + 11 from Asia (2019)

Collated capacity: \$20.9m (June 2019)

Gross premiums: \$1.0m (2018)

An evening with FAIR friends

The FAIR conference kicked off last evening with a cocktail reception hosted by FMSAR at the Palmeraie Golf Resort. Delegates from the Afro-Asian markets gathered to mark the opening of the biennial conference.



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