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A platform for collaboration

The opening session of the 28th FAIR Conference and General Assembly was a useful place-setter for the next few days as delegates get to grips with the big question of the day: Is the hardening reinsurance market here to stay?

By Paul McNamara

28th FAIR Conference and General Assembly

Emirates Insurance Association and GIF secretary general Fareed Lutfi opened proceedings with a spirited affirmation that the Federation of Afro-Asian Insurers and Reinsurers (FAIR) "remains fully committed to fostering cooperation" amongst member nations.

Mr Fareed Lutfi

He pointed to AI, machine learning and digitalisation as future drivers of growth of the insurance sector and indicated that FAIR members were leading the charge in this field.

The conference, he said, was "a vital platform for the exchange of ideas – adding substantial value for members."

Deep dive

Mr Lutfi then introduced FAIR organising committee chairman and Emirates Insurance Association chairman Khalid Al Badie – who said that the conference would "delve deep into the nature of the market to see if the recent hardening of rates is an enduring feature or simply a passing phase."

Mr Khalid Al Badie

The conference, he said, would "allow us to reimagine the future of the reinsurance and insurance industries" and pointed to FAIR as a platform for collaboration and a "wellspring of valuable insights and invaluable connections."

FAIR secretary general Mo'men Mukhtar then took the stage, acknowledging that "the whole world is changing rapidly." He indicated that some of the main drivers of this change included, "violent weather changes, cyber, inflation, high interest rates, geopolitics, pandemics, supply chain disruptions, social inflation and increasing life expectancies."

Mr Mo'men Mukhtar

All of these, he said, "will make the world more challenging." In such a market, he said, it was hardly surprising that some should think that rates will continue to harden, while others disagreed.

Way ahead

FAIR president, GIG Egypt managing director Alaa El-Zoheiry then addressed the audience and indicated that "the beautiful emirate of Abu Dhabi will inspire us to find solutions."

Mr Alaa El-Zoheiry

He said that most markets had seen a hardening of rates – but said that "experts do not expect that we will see a significant influx of new capital into the reinsurance market."

Swiss Re head MENA and Francophone West Africa director Lukas Muller gave a technical presentation addressing the geopolitical crisis, energy crisis, economic crisis and climate change – which he prefaced with his own answer to the question 'will the hardening market continue'.

"Yes, it will," he said.

L-R: Mr Alaa El-Zoheiry passing presidency of FAIR to Mr Khalid Al Badie

The hard market will continue

The debate over whether the insurance and reinsurance market will continue to harden as it has in the previous couple of years was the theme of the first day plenary session at FAIR 2023.

By Osama Noor

Trust Re CEO Yassir Albaharna raised a question over whether the insurance cycle coincides with the reinsurance cycle - and whether hardening of rates is evident in terms of line of business.

From a broker's perspective, United Insurance Brokers (DIFC) CEO George Kabban said that (re)insurance markets are firming rather than hardening, noting that supply and demand dynamics are functioning in accordance with profitability trends.

L-R: Messrs Jason Light, George Kabban, Yassir Albaharna and Mohammad Al Tabtabaei

Firming not hardening

"(Overall), in most classes, rates are firming at best as before, but we haven't seen the panic that was seen last year," said Mr Kabban. "Most insurers took that shock last year and for this year my expectations is that this would be tempered significantly."

Emirates Insurance Company CEO Jason Light said that reinsurers will manage to handle the current status of the market and will remain stable even though the region is undergoing unusual conditions including seeing a spike in oil prices.

For the demand of insurance products in the region, the market is witnessing an unusual situation at a time of global crisis. After going through COVID, however, the view seems generally positive especially in the GCC markets with the increase in oil prices.

Sunny outlook

"The economic indicators locally are pretty good … and will continue to create demand for our products," said Mr Light. "Overall, we see growing demand for insurance in the region."

He highlighted that with 65% of insurance business coming from motor and medical insurance lines in the region, reinsurance is often not a defining factor.

Kuwait Reinsurance Company chief operating officer Mohammad Al Tabtabaei said that the past 15 years have seen notable softening in reinsurance prices and now markets are witnessing technical corrective measures which have been taking place post the COVID crisis.

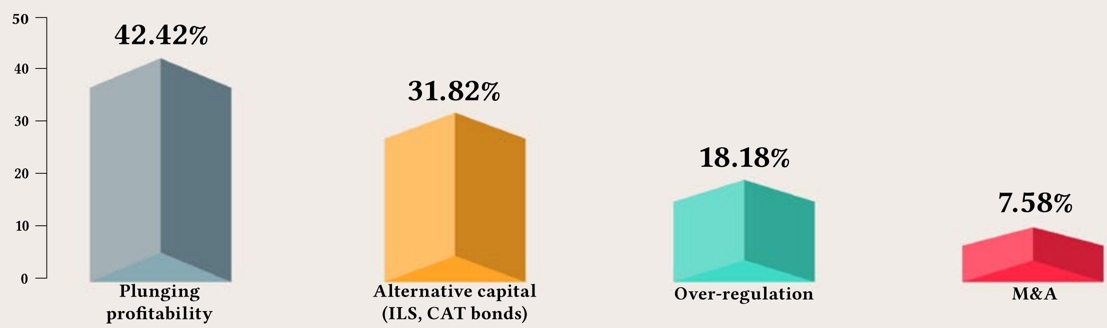
"This is where the market is heading," he said. "It is a hard market but considering the technicality of rates and the premiums charged for classes of business, I think there is still room for some improvement and an upward tick. You have to consider inflation and Nat CAT, whose frequency is increasing."

Generally, Mr Albaharna noted that rates are increasing but it is the root cause that operators should be looking into.

"(It is) a continuous correction cycle which is long overdue," said Mr Albaharna.

Total Vote: 100%

What do you think is the biggest threat to reinsurers in 2024?



This infographic was produced by surveying *Middle East Insurance Review*'s website users.

The FAIR in Abu Dhabi

Since its establishment in 1964, this is the first time for the UAE to host the FAIR Conference & General Assembly, which has attracted over 800 delegates coming from over 50 countries. Delegates attending the 28th FAIR in Abu Dhabi are senior and high-profile professionals representing Arab, regional and international (re)insurance providers.

Organising FAIR in the UAE represents an opportunity for local companies to seek new business opportunities, diversify their operations and exchange experiences with the FAIR member companies from the African and Asian markets as well as international markets.

Mr Mohammed Mazhar Hamadeh

What the UAE looks to achieve during its presidency term

During its presidency of the FAIR, which extends from 2023 to 2025, the UAE hopes to strengthen ties of cooperation between member states and activate the necessary tools to do so. The ambition is also to build up the size of the Federation's membership to include larger number of companies and other professional bodies. Being the largest insurance market in MENA in terms of premium income, qualifies the UAE to play a distinguished role in the development of the FAIR.

We will also work to strengthen and activate the insurance pools that operate under the umbrella of the FAIR. These pools have proven remarkably successful over the past years in terms of growth and profitability. There include the Oil and Energy Syndicate (managed by the Trust Re Bahrain), the Nat CAT Reinsurance Pool (managed by GIC of India), the Aviation Pool (managed by SCR of Morocco), and the Non-life Reinsurance Pool (managed by Milli Re Turkiye).

Overall, we see that the UAE assuming the presidency of the organisation will give it greater momentum to open new horizons of growth and development in the future.

Mr Mohammed Mazhar Hamadeh, vice chairman of the organising committee of FAIR 2023 Conference.

A delightful evening

Delegates attending the 28th FAIR Conference revel and mingle during a welcome cocktail hosted by the Emirates Insurance Association.

War products gain interest but underwriting challenges remain

Demand for coverage against war has increased amid ongoing wars and concerns of geopolitical tensions developing into conflict. Rates for some lines of business have been hardening and reinsurers have increased exclusions on cedants offering such cover.

By Nadhir Mokhtar

Conflict deaths are its highest level this century with over 238,000 people killed in 2022 according to research by the Global Peace Index. Insurers and brokers we spoke to have seen increasing demand for coverage against war risks amid high-profile events such as Russia president Vladimir Putin's invasion of Ukraine, civil war in Sudan and political instability in Myanmar.

Types of war products

Vantage Risk political risk and credit global head Dan Riordan shared some types of cover that exist in the market for war insurance.

"Political risk investment insurance (PRI) is a source of coverage for exposures resulting from war coverage as well as other covers. Typically, PRI covers also include protection for expropriation/nationalization, currency inconvertibility and political violence (war, revolution, insurrection) and civil strife," he said.

He said his company usually receives requests from clients like international banks, global corporations and export credit agencies or multilaterals to purchase war insurance products. Demand for such products is high and rates have been rising according to Mr Riordan.

"While the product has changed very little over the years, the demand has been peaking since the onslaught of the Russian/Ukraine conflict in early 2022, as well as growing concerns about a potential China intervention in Taiwan," he said.

He said some of the underwriting challenges they face includes the potential catastrophic nature of losses associated with war and the lack of recoveries.

"Given current loss development in the industry as a result of damage in Ukraine and Russia, most underwriters will not accept new risks at this time. That is expected to change after cessation of hostilities and when the rebuilding efforts begin," he said.

How policies have changed

While demand for war products have increased, some reinsurers have imposed restrictions on certain risks.

"One thing that we have seen particularly within the context of accident and health are some restrictions on coverages for nuclear, chemical, biological and radioactive (NCBR) covers. The reason for that is a result of (Russia president Vladimir Putin's invasion of Ukraine). Some of the treaty reinsurance, that sits behind accident and health has started to exclude NCBR coverage. It doesn't apply to all markets because some may be on longer term agreements with their reinsurers but typically, we're seeing that NCBR cover is increasingly written on a net basis by underwriters. Therefore, there's a decreasing appetite to provide that cover," said WTW Asia Pacific crisis management head William Miller.

How policies have changed

According to Mr Miller treaty renewals are having an impact on insurers in terms of what they can write on a net basis. There is also a hardening of rate and restrictions in political violence or strikes, riots and civil commotion products.

"One of the difficulties underwriters have is being able to distinguish whether the cover that they're offering is for passive war exposure or active war. In the context of accident and health insurance, if you're looking at providing cover for a group of local nationals who may be 100 kilometres from the front-line conflict in Ukraine, with significant rocket fire going back and forth between the two sides, that is a sufficient barrier to be classed as a passive war risk rather than an active of war risk. The logistics of modern warfare make that distinction very difficult for an underwriter to be able to distinguish exactly the exposure that they might be writing.

"One of the challenges that underwriters have is responding to the context of modern warfare as it stands but also having to balance the tightening of their reinsurance rates. In addition, some of the restrictions that they're seeing through that chain around the coverages that they can and cannot provide with reinsurance support," he said.

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