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Preparing Arab insurers for the post-COVID era

By Osama Noor



The world post-COVID-19 is facing new challenges, including inflation, energy and food crises, supply chain disruption, climate change and natural catastrophes as well as cyber threats, said Algerian Union of Insurance and Reinsurance Companies' (UAR) chairman Youcef Benmicia during his opening speech at the 33rd GAIF conference in Oran, Algeria yesterday.

Yet despite complications and the impact on economic activity, this phase offers opportunities that can benefit the insurance sector, said Mr Benmicia.

"The insurance industry is capable of dealing with these emerging changes through [adopting] proper risk management and providing new

insurance solutions that are compatible with the use of new technology tools," he said.

He noted that insurance activity is gradually returning to normal, in line with pre-COVID levels, with estimates for the global insurance industry to register 3.4% growth in 2022.

"The same trend is expected for the Algerian market, as it grew by 5% in 2021 as a result of the wise policies the state adopted to limit the pandemic effects. It is expected that economic recovery will continue in 2022 and the sector will continue to grow," he said.

"The emergence of takaful in 2022 should provide impetus for further growth. There are huge growth

opportunities in Algeria which can benefit insurers through utilising personal lines and various commercial activities."

He added that the biggest challenge insurers face is increasing the size of beneficiaries of insurance and strengthening the industry's role in supporting the national economy.

Still a long road ahead

This year's conference is being held amid tough economic conditions and hopes are high for the insurance industry to play a role in supporting economic development, said GAIF secretary general Chakib Abouzaid.

"Over the past decades, the Arab insurance industry has made notable strides in development but it still hasn't delivered on the promise of bridging the insurance gap and providing comprehensive insurance protection for Arab citizens and their properties," he said.

He added that while overall GDP of Arab nations accounts for 2.59% of global GDP, GWP of Arab insurance markets represent only 0.7% of global insurance premiums. In 2020, the penetration rate for the Arab insurance markets reached 1.74% against the global level of 7.42%.

"One indicator which determines the progress of the insurance industry is the share of the life insurance portfolio. In the Arab world, it varies from one country to another: It reaches



Algeria assumes chairmanship of GAIF

Mr Lasaad Zarrouk (left), president of GAIF and chairman of the Tunisian Insurance Federation and Mr Youcef Benmicia (right), chairman of UAR, in a symbolic handover as Algeria assumes the GAIF chairmanship from Tunisia, in the presence of Algeria minister of finance Abderrahmane Raouya (middle).

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46% in Egypt and 45% in Morocco, [but] it doesn't exceed 10% in many countries," he said.

Mr Abouzaid pointed out that such indicators show that the protection gap remains evident in the Arab world, penetration rates continue to be under the aspired level and insurance companies have enormous growth opportunities in all branches of business, especially non-mandatory and life business.

The development of the Arab insurance industry requires finding a regulatory framework that encourages investments in the insurance sector, said Mr Abouzaid. The introduction of more compulsory covers as well as the development of public-private

partnerships and forging common goals for both public and private sectors can be achieved through building financial inclusion, he said.


More R&D needed to combat new threats

Outgoing GAIF president Lassaad Zarrouk said that the last few years have required Arab insurers to find new ways of dealing with threats such as COVID-19, increased cyber attacks, natural catastrophes and climate change as well as digital transformation.

"Digital transformation, amid the emergence of new digital providers and the dominance of internet and IT

networks, offers new opportunities which require insurers to change their traditional pattern of dealing with risks, [offer] more personalised insurance covers and adopt new approaches that are reliant on technological development and improved technical returns," he said.

He added that the new risk landscape poses more threats but provides insurers broader horizons to create new insurance solutions and fresh business tools to enhance their returns.

"[This] requires further investment in research and development as well as developing human resources and building corporate governance principles," Mr Zarrouk said. 

Algeria: State support at the ready

By Osama Noor

In his keynote address at the 33rd GAIF yesterday, Algeria minister of finance Abderrahmane Raouya noted that the measures the Algerian state has taken to deal with the consequences of the pandemic are expected to translate into 3.4% economic growth in 2022.

"All of this comes with a new comprehensive economic vision that aims mainly at diversifying sources of income and reducing dependence on hydrocarbons as main pillars of reforms," Mr Raouya said.

He noted that insurance penetration in Algeria remains weak compared to other nations as it remains below 1%, far below levels found in developed



economies. However, the state is keenly supporting the development of the sector.

"The insurance sector [in Algeria] is one of the primary economic sectors which was liberalised. [This has] led to the development of the regulatory and institutional levels of the sector where the number of insurers has

grown from six state-owned operators in 1995 to 23 insurers in 2021, of which 11 are private operators or in partnership with foreign companies. GWP grew in tandem with the country's economic growth where it increased from DZD5.6bn (\$38.4m) in 1997 to DZD144bn in 2021."

The minister pointed out that the regulatory authorities are working to support the performance of the

market by implementing measures that enhance the solvency of insurers, improve the quality of services they offer to public, introduce takaful and accelerate the pace of digitalisation of the insurance sector.

He said that overall, there is a bright future for the insurance industry in Algeria. "The insurance sector in Algeria offers massive opportunities for investments and growth that respond to the ambitions of investors," he said.

Held with the theme, 'The new situation and its repercussions on the insurance industry: What are the challenges and are there opportunities for the Arab insurance market?', the largest pan-Arab insurance event is being held in Algeria with more than 1,200 registered delegates coming from 40 countries. The last time Algeria hosted GAIF was in 1978. 

Significant potential for insurance growth

By Osama Noor

Addressing the challenges and opportunities for the Arab insurance market, Gen Re Europe, Latin America and MENA board member Ulrich Pasdika said that there is no correlation between GDP

per capita and insurance penetration in Arab countries when compared to other regions as evidenced by the 2% share of life insurance business in MENA against 50% in Europe.

In order to enhance insurance


penetration in the region, he recommended growing life insurance business through developing bancassurance operations and cooperating with communications providers to benefit from the huge data

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sets they possess.

Providing his outlook on Arab insurance markets, Mr Pasdika said that there was significant potential due to demographics and current low penetration rates. He said that further development of the regulatory framework and professional standards is necessary as markets grow. Lastly, he said that digitalisation would be a big enabler for successful strategies.

Commenting on the impact of the COVID-19 crisis on the insurance industry, Chedid Re chairman and CEO Farid Chedid pointed out that although the world has seemingly overcome the pandemic, the disruption which the crisis created is not yet over. 



Panel discussion

(L-R) Gen Re board member Ulrich Pasdika, Trust Re Group CEO Yassir Albaharna, Chedid Re chairman and CEO Farid Chedid and L'Algerienne Vie CEO Ammar Meslouh.

Memorable start to proceedings

Welcome cocktails (5 June 2022)



Registration of the attendees and welcome coffee



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Opening ceremony



Welcome speeches



GAIF general assembly



Networking



IFRS17 complexities in MENA

By Amir Sadiq



Insurance companies operating in MENA's more mature regulatory environments show greater readiness for IFRS17 which will come into effect for reporting periods beginning on or after 1 January 2023, according to analysis from AM Best.

There is a less consistent picture among the region's small carriers and in markets with less oversight, said the global credit ratings agency in its latest commentary.

The transition to IFRS17 is also expected to be complex, given the significant data and IT system requirements and changes to financial statement presentation, as well as the simultaneous adoption of IFRS9, the new accounting standard for classifying and measuring financial instruments.

Different regulatory environments

AM Best noted that the MENA region includes countries whose insurance markets and insurance regulatory bodies are at various stages of development and maturity, with more mature regulatory environments demonstrating greater readiness for IFRS17.

"Preparedness largely reflects the implementation of regulatory IFRS17

roadmaps in these jurisdictions, with insurers required to comply with preparation and implementation milestones. This has been the case notably in Saudi Arabia, where the Saudi Central Bank has been particularly proactive," said AM Best.

"On the other hand, in markets where there has been less regulatory oversight and engagement on IFRS17, AM Best has observed a less consistent picture in the level of preparedness among market participants. In these markets, the level of preparedness is largely market-driven with larger, more sophisticated, insurers leading the way."

Data quality issues

One of the main challenges AM Best expects the region to face in its adoption of IFRS17 involves the quality and availability of data, which have been longstanding concerns in the market, given that the new regime requires greater depth and quality of data than current accounting standards under IFRS4.

It said that the availability of reinsurance data is also likely to pose a challenge as a significant proportion of large commercial risks are ceded to reinsurers by regional market participants and monitored by management on a net basis.

Reliance on third parties a risk

The ratings agency also highlighted a potential IFRS17-related risk for the region – its reliance on third parties, including external consultants and actuarial firms, to drive IFRS17 development and implementation projects.

The reliance on external resources is to be expected in the region, said AM Best, as regulations in several MENA insurance markets often mandate the use of third parties for certain critical functions including reserving and pricing oversight.

This, however, risks concentrating knowledge outside the operations of insurers and could create a potential disconnect between internal management engagement and external consultant experience on the subject, it said.

Still a net-positive

Even though the transition to IFRS17 brings with it challenges and risks, AM Best said it does not expect this to have a direct impact on ratings as the agency mainly looks at the underlying economics of insurers, which are normally unaffected by the accounting regime they report under.

The adoption of IFRS17 is also viewed as a positive step towards a more economic and uniform presentation of financial statements in the region.

During a GAIF webinar earlier this year, Central Bank of Jordan expert Rifaat Hammad said that IFRS17 has been well received by regulatory authorities because its principles are consistent with supervisory requirements. Among those main principles is paying more attention to risk management, transparency as well as offering the ability to measure the solvency margin and companies' ability to meet their obligations.

He added that implementing IFRS17 is not only a challenge for insurance companies, but also represents a challenge to regulators to update the legislative frameworks to comply with the requirements of the new standard. [\[1\]](#)



Ninth Middle East Insurance Industry Awards: Nominations still open

The search for this year's most outstanding individuals and organisations in the MENA insurance industry is still ongoing.

The ninth annual Middle East Insurance Industry Awards introduces a new category, InsurTech of the Year, to acknowledge the rise of innovation via new InsurTech companies and recognise the critical role they play in driving the industry forward.

The Reinsurance Company of the Year category has also been split into Life Reinsurer of the Year and General Reinsurer of the Year to ensure fairer competition.

Organised by *Middle East Insurance Review*, the awards aim to recognise excellence in the MENA insurance sector and promote greater professionalism in the market.

In addition, the awards this year will see a new feature added to the final judging process – all company-specific finalists will be given the chance to pitch their case directly to the judges, via a live stream interview.

Third-party nominations are open until 11 July, but self-nominations are closing soon, on 11 June. The winners will be announced at the awards presentation gala dinner on 21 November in Dubai.



The award categories are:

- Life Insurance Company of the Year
- General Insurance Company of the Year
- Health Insurance Company of the Year
- TPA of the Year
- Takaful Company of the Year
- Educational Training Initiative of the Year
- Digital Transformation of the Year
- InsurTech of the Year
- Strategic Partner to the Industry
- Corporate Risk Manager of the Year
- Law Firm of the Year
- Broker of the Year
- Reinsurance Broker of the Year
- Life Reinsurer of the Year
- General Reinsurer of the Year
- Woman Leader of the Year
- Young Leader of the Year
- Insurance Industry Leader of the Year



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