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## Call to strengthen Arab providers' capacity



By Osama Noor

Arab (re)insurers should reinforce their capacities to be able to deal with emerging risks, such as the COVID-19 pandemic crisis, said gig Group CEO Khaled Saoud Al-Hasan.

"Companies should take into account [emerging] risks in order not to face financial turbulence that would limit their ability to sustain business and hinder their capability to fulfil their commitments," he said.

He also called for setting adequate pricing mechanisms by adopting sound underwriting practices that are built on proper actuarial analysis. He said that insurance companies should seek actuaries' help to identify severe or high risks and offer technical pricing that matches the potential losses they could cause.

As for the most important challenges facing operators in the Arab region, Mr Al-Hasan said that climate change is on the top of the list. Despite the severity of losses and threats which COVID-19

brings, he said there has been a notable increase in the frequency of natural catastrophes in the region, as seen in the recent earthquake that hit Kuwait and surrounding countries in the past few days as well as the cyclones that Oman has suffered in the past few years.

Another big challenge which insurers face is the need to develop qualified human resources to identify and underwrite emerging risks properly, he said. He also urged Arab providers to upgrade their underwriting standards, including pricing, and improve the level of their professionalism.

"International reinsurers will not continue to accept such risks without setting strict terms and conditions," he said.

### Increasing capital

Mr Al-Hasan emphasised the importance of boosting operators' financial capacities through increasing capital requirements and keeping sufficient

reserves to face any unexpected losses caused by high risks.

In this regard, he said that regulation plays a role in strengthening the financial resilience of insurance markets. "I hope that regulatory authorities will take the initiative to increase insurance companies' capital requirements. Moreover, hopefully investors will contribute to increasing insurers' capitalisation," Mr Al-Hasan said.

This would result in creating a sound marketplace with fewer operators, limited unprofessional competition and improving companies' results, he said.

He also noted that it is important to expand the range of compulsory insurance covers in the Arab region to expand the safety net and boost market performance.

### IFRS17 readiness

Addressing global market preparedness for the adoption of IFRS17, AM Best associate director, analytics William Keen-Tomlinson said that there are varying degrees of readiness across markets. He pointed out that best practices are usually seen in large international groups with significant in-house capability.

Typically, these companies will have completed system implementation, performed one or several dry-runs, have decided on material accounting policies and KPIs and have engaged stakeholders to varying degrees on material changes to their financial statements from the adoption of IFRS17.



L-R: gig Group CEO Khaled Al-Hasan and CCR president and CEO Hadj Mohamed Seba

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He pointed out that some countries have delayed implementation to 2025-2026.

As for the MENA region, Mr Keen-Tomlinson observed in a previous commentary that preparation for the new IFRS17 regime varies significantly by country and insurer and that few insurance companies in the region are fully prepared for the transition to IFRS17.

### Digitalisation is critical to progress

The role of digitalisation of insurance operations and processes is crucial in increasing penetration rates in the Arab region, said Compagnie Centrale De Reassurance president and CEO Hadj Mohamed Seba. He called for operators and markets to pay attention to digital transformation in order



AM Best associate director, analytics  
William Keen-Tomlinson

to keep pace with rapid changes in technology.

Federation of Afro-Asian Insurers and Reinsurers secretary general Mo'men Mukhtar said that a big challenge is the incompatibility between insurers' adoption of technology in the Arab world and the advanced level of technology existing in the market.

"There is a huge gap there. Companies



FAIR secretary general Mo'men Mukhtar

have to upgrade their [technical] resources and invest in technology," he said, and added that human resources should be upgraded to create the best fit for the future.

Another major challenge in digital transformation is the availability and credibility of data that companies possess. "This is a main issue for many companies," said Mr Mukhtar.

## Celebrating gig's 60th anniversary at the 33rd GAIF conference

Gulf Insurance Group (gig) hosted a special dinner party on the sidelines of this year's GAIF conference to celebrate the group's 60th anniversary. Established in 1962 as a public shareholding

company listed on Boursa Kuwait, formerly the Kuwait Stock Exchange, the group today is one of the largest and most diversified insurance groups in the MENA region. The group has a presence across the GCC markets,

Algeria, Iraq, Jordan and Lebanon in addition to its operation in Turkey. gig has managed to acquire several operations in MENA and other regions, most recently taking over AXA Gulf's operations.

### Delegates enjoyed a night of music at the anniversary dinner





# Muscat to host the next GAIF conference

By Osama Noor

Oman's Capital Market Authority (CMA) has announced that the country will be hosting the 34th GAIF conference in 2024, which will be organised by the CMA and the Oman Insurance Association (OIA).

The decision was taken at the GAIF general assembly which took place in Oran as part of the 33rd GAIF conference.

CMA vice president of the insurance sector Ahmed Al-Mamari said it would be a great opportunity for the sultanate to host the most important pan-Arab insurance gathering and emphasised Oman's insurance industry's capability and readiness to welcome guests from various Arab and international markets.

"The sultanate's winning of this hosting by acclamation highlights the extent of confidence the Omani insurance sector enjoys in the Arab and global insurance market," he said.

OIA chairman Nasser bin Salem Al Busaidi pointed out that the sultanate's



L-R: CMA vice president of the insurance sector Ahmed Al-Mamari and Oman Insurance Association chairman Nasser bin Salem Al Busaidi

hosting of the conference coincides with GAIF's celebrations of its 60th anniversary. He added that the event will be an opportunity to welcome guests from across the world to learn more about Oman's ancient heritage and its current development in line with its economic plan, Oman National Vision 2040.

There are 21 insurance providers in Oman, including one reinsurance company, Oman Re. Insurance market GWP reached close to OMR500m (\$1.2bn) and the sector's assets amounted to almost OMR1.2bn in 2021.

Oman last hosted the 24th GAIF conference in 2002.

## Oman delegates at GAIF 33



View of the Al Alam palace in the old town of Muscat

# Risk rising

We asked some leading players in the MENA insurance sector to tell us what they thought the biggest risks facing the industry were. Here are their thoughts.

“The biggest risk facing the MENA insurance industry is the loss of focus on the fundamentals of insurance. Most companies are concentrating on motor and medical, and they are concentrating on these not by showing the value of their services but by being the cheapest. UAE and KSA, the two largest markets in the GCC, are showing a reduction in underwriting profitability as most insurers are just competing on prices.

While there may be longer-term emerging risks, not focusing on fundamentals and proper risk pricing is an immediate risk to the MENA insurance industry. Another risk facing the industry is the lack of innovation. We shouldn't wait for regulators to push and launch new products. Rather, the ideas for new products and the generation of demand for these products by showing value should come from the industry.”

– Badri Management Consultancy managing director Hatim Maskawala



“The MENA insurance industry faces the same set of challenges as any insurer in the world such as climate change, economic slowdown, recessionary trends, impacts of the pandemic, data breaches and cyber crime.

However, in addition to global risks, what concerns most is the unhealthy competition amongst insurers. There is a lack of regulation from authorities governing insurance and the market is not self-regulated. At the same time, insurers need to comply with regulation from authorities in sectors such as health, compliance and AML as well as the ministry of labour.

Courts view insurance companies as social organisations and pass liberal judgement without taking into consideration the 'principles of insurance'. Insurance companies are also, at times, compelled to support populist schemes which may not be commercially viable. Shareholders' disinterest in long-term commitment to the sector is another factor which affects the stability.”

– Dubai National Insurance chief technical officer O C Singh



“While the past few years have been quite challenging in terms of COVID-19, worldwide economic recession and increasing cyber security breaches, one of the current prominent threats to the insurance industry is changing consumer behaviour. In fact, the aforementioned challenges are triggers that alter consumption habits and attitudes towards the healthcare sector.

Additionally, rapid advances in health technology, coupled with changing cultural demographics and trying economic times in the MENA region pose a threat to selling premium-sensitive products, not to mention ever-increasing medical treatment costs.”

– GlobeMed Group VP - TPA franchising Andre Chatila



“I would say that climate change and environmental risks top the emerging risks for the MENA insurance industry. Some coastal areas will face exposure to storms that can hit occasionally, in addition to heavy rainfall that can reach unexpected levels during the year, which the infrastructure in some countries is not designed to handle.

The other emerging risks are of a financial and economic nature. The inflationary environment that the world is experiencing post-COVID-19 along with high prices of oil, goods and services will lead to various challenges. As a result, the cost of claims will be higher and eventually it will be priced into the premiums charged. However, if competition continues in the insurance and reinsurance market and premiums end up being inadequate, then balance sheets and profitability of companies will face serious pressure.”

– Kuwait Reinsurance Company chief operating officer Mohammed Al Tabtabaei



“There will be continued debates on the role of the insurance industry for covering the risk of pandemics. From the general insurance perspective (insuring activities and assets), the industry cannot be the only major player. The scope of the exposure is way too broad for the insurance industry to handle in isolation. Pooling cannot work if everyone files a claim at the same time.

Pandemics also bring with them potential litigation risks. There has been increased litigation relating to business interruption coverage and to commercial liability coverage where there will likely be litigation by those exposed to, COVID-19. Cyber risk will also continue to pose a challenge as cybercrime becomes more prominent while the pandemic and the climate changes have also highlighted the need for greater discussion of the role of insurance and its key concept of risk pooling.”

– Nextcare Tunisia general manager Rassem Ktata





# InsurTech challenging tradition through innovation

InsurTech will play a major role in transforming the Algerian insurance industry. We spoke to **Algeria Startup Challenge's Ms Nesrine Ziad** about the roadmap for the InsurTech sector.

By Jimmy John



The size of the Algerian insurance sector was DZD43.5bn (\$302m) in the first quarter of 2021, compared to DZD40.4bn in the same period of 2020, showing growth of 7.7%. While insurance's share of GDP at the global level is around 7.4%, in Algeria, it represents only 0.8%.

"This represents an opportunity to be seized and that insurers must exploit," said Algeria Startup Challenge (ASC) co-founder and Leancubator marketing manager Nesrine Ziad.

Created in 2018, the ASC is a programme that is organised as a national competition that aims to create opportunities for the start-up ecosystem to meet and solve problems through innovation.

Ms Ziad said that in terms of digitalisation, the Algerian insurance sector remains relatively low-tech despite the existence of end-to-end solutions created by InsurTechs.

## Technology and innovation as growth drivers

Ms Ziad believes that technology and innovation are important sources of competition and growth for Algerian insurance companies. "This is a revolution that creates a better understanding of and proximity to their customers. The challenges are well-embraced by InsurTechs that have demonstrated their agility as essential players in the insurance ecosystem and,

thus, a growing interest for mutually beneficial collaborations," she said.

The ASC has been promoting technology and digitalisation in the market, launched an open innovation programme, encourages participation in hackathons and also provides support for start-ups.

## Fintech start-up challenge creates awareness

Insurance has been the major focus of the annual fintech start-up challenge, which showcases innovations in fintech, InsurTech and LegalTech. Several open innovation challenges have also been initiated including the InsurTech Challenge by CASH Assurances in 2021 and 2022.

Ms Ziad said that these initiatives focus on topics reflecting the many needs of the Algerian insurance industry and allows start-ups to understand the opportunities in the market and the needs of traditional players better.

"The initiative also allows us to work closely with the insurance ecosystem to support a number of start-ups so that they can mature their solutions, market their solutions, gain customers or build a strong network and gain visibility" she said.

Panel discussions with experts are organised in parallel to explore the new and current trends in the sector while highlighting the most promising innovations and start-ups, as well as for

signing contracts.

The ASC will be organising the Fintech Startup Challenge 2022 on 18 June 2022 in Algiers, which is an annual meeting of financial and insurance innovations and technologies that will allow players in the sector to collaborate with start-ups, discover the latest innovations and discuss current topics in the field of insurance.

## Collaboration between stakeholders

Ms Ziad said that InsurTech has huge potential in the Algerian market as it can enhance financial inclusion by using technology to serve a sector that is still in the early stages of digitalisation. "Much remains to be done, which creates a lot of opportunities for start-ups that would like to launch their products/services both in B2B or B2C markets," she said.

However, she feels that the development of InsurTech is predicated upon the collaboration of traditional players, and open innovation can be an excellent means to this end, creating mutual benefit to both parties.

"The current needs of the sector and for which InsurTechs have opportunities to market solutions are in the areas of data science and analytics, AI and machine learning, behavioural economics and conversational AI that is focused on the health and mobility sectors," she said. 📌



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Published by:

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