



QICI



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Insurance & Reinsurance in Middle East

Moderator :

Dermot P. Dick

Executive Vice President - International Underwriting
QIC International LLC

Insurance & Reinsurance in Middle East

- Introduction
- Past
- Future
- Solution

Introduction

- Insurance & Reinsurance support industry in contributing to the growth of a strong economy
- Huge growth potential?
- It is estimated new projects circa US\$ 3,000 billion will be commenced in the Middle East Region in the next 5 years
- In January 2008 alone, US\$ 15.4 billion worth of projects were awarded in GCC
- Qatar alone contributes to the extent of US\$ 9.46 billion of this

Introduction – continued...

- The real issue is and the challenge is how do we turn this enormous economic activity in the region into insurance booked premium and support all the ancillary businesses that feed off the insurance Industry?
- In the words of a fellow QFC company, Qatar itself represents a market with “ambitious plansa Wonderful Opportunity”.
- Where are We? In reality nowhere! Qatar’s Insurance Penetration was recently estimated by Moodys to be only 1.1%

Past

- Development of the Hubs in Dubai, Qatar & Bahrain, and Regulation in various territories - particularly Saudi Arabia and UAE on the way
- Discussion of potential GCC-wide Regulation to mirror the EC situation
- Growth of multi-territory insurers - particularly QIC to add to the existing International companies of AXA-Gulf, AIG, RSA and others.
- First use of 'Captives' – not yet formalized

Past – continued....

- Rating Agency activity increasing and the bar being raised
- Parallel development of Takaful?
- Market Growth lead by Motor and Medical (compulsory or likely to be shortly) and construction business
- Little development of Human Resources - including GCC Nationals. Over reliance on expatriate workforce - now has attractive opportunities at home in the booming Economy/Insurance Industry

Future

- Three Hubs? Can it work? Co-operation or segmentation the answer?
- Regulatory Framework - GCC wide possible or even desirable?
- Insurance Market consolidation to create "Regional champions"?
- Increased competition between the International market and the developing Regional market. Region is no longer a source of business but a competitor!

Future - continued

- Insurers along with Banks etc will have a growing geophysical advantage – Leverage it!
- Lessons to learn from other regions! Comparison with Singapore /South East Asia is striking!
- Wider Economy - the era of “Cheap Oil” is over forever. Oil Price circa US \$100pb and significant likelihood of much higher pricing.
- Sustenance of price driven by Demand/Supply and Geo-political matters.

Future - continued

- By 2020 the GCC likely to be the major exporter of finished Petro-chem products - not just the raw materials.
- Also GCC will control more of the Value Chain in transportation (Qatar LNGs) and distribution.
- Sovereign Wealth Funds - follow the money!
- The GCC Insurance market will be expected to be able to support it's host countries as their national Oil companies and investment vehicles move internationally

Future - continued

- Risk being retained and properly managed in the Region reducing reliance on the International Market
- Insurers / Reinsurers in the region need to ensure risk and geographical diversification.
- Growth in Life and Pension business

Solution

In an ideal world we need the following :

1. Harmonization of Regulation and oversight
2. Consolidation to create fewer stronger entities
3. Hubs specializing in separate core competences with cooperation
4. Increased Risk Retention and Product Development with Risk Diversification
5. Increased investment in Human Capital

We complain about Insurance penetration and seek to put the blame elsewhere. Lets look at ourselves, raise our game and then may be our customers (existing or new) will take us more seriously!



THANK YOU

By Dermot P. Dick