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Creativity in Business

BUSINESS LIFE reporter interviewed Arig's CEO Yassir Taqi Mohammed Albaharna in a day-long at the 24th FAIR Conference in Cairo, Egypt

Under the leadership of Yassir Albaharna who is a famed Bahraini national, Arig offers a broad range of treaty and facultative reinsurance services for Property & Casualty, Specialty as well as Life and Medical lines to its clients from the region and beyond.

Yassir Albaharna graduated in 1984 with a Bachelor degree in Engineering (Mechanical) from McGill University in Montreal and then in 1986 obtained dual Masters in Engineering (Manufacturing) and an M.B.A (High Honors) from Boston University. He subsequently joined the Arab Insurance Group (Arig) in 1987 and was elected as "Fellow" and "Chartered Insurer" of the Chartered Insurance Institute (CII) in 1993.

Albaharna worked within the reinsurance division of Arig during his entire working career and assumed various underwriting and managerial positions.

Yassir is currently the CEO of Arig, Chairman of Gulf Warranties (Bahrain), Arig Capital Limited (London) and FAIR Oil & Energy Insurance Syndicate (Bahrain) and Vice Chairman of Bahrain Insurance Association. Yassir further holds Board membership in Takaful Re (Dubai International Financial Center), Arima Insurance Software (Bahrain), FAIR Non-Life Reinsurance Pool (Istanbul), Board member of, Hardy Arig Insurance Management (Bahrain), GlobeMed (Bahrain), the International Insurance Society (New York), Federation of Afro-Asian Insurers & Reinsurers (Cairo), Association of Insurers and Reinsurers of Developing Countries (Philippines), Specific Council for Vocational Training - Banking Sector (Bahrain) as well as Board of Trustees of Bahrain's Human Resources Development Fund - Banking & Financial Sector (Bahrain).

Yassir Albaharna highlighted in his interview that the theme of this year's conference focused on how we can move forward to build on the achievements of FAIR over the last 50 years and envision what can be accomplished in the future. Most of the topics in the conference paid attention towards what worked well in the past and how to ensure this continues in the future. A session on pools and another on Afro-Asian market strategies supported the conference theme. I think the main message out of this conference is to galvanize support and cooperation among members of the organisation.

As to the recent news on Takaful Re and the proposition that was offered by Arig, Albaharna states: "During the month of July 2015 Arig made a proposal to purchase the minority shares of Takaful Re Limited. The offer in my opinion was generous and the intention behind it was to salvage a company facing difficulties in the business model and not financial per se. Arig wanted to acquire 100% of the shares and taking complete control; thereby, changing the business model and to turn it around. Unfortunately, Arig did not



Innovative management: Yassir Albaharna, CEO of Arig

receive unanimous acceptance from all the minority shareholders and therefore, we had no option but to withdraw the offer. The remaining available options are likely to be either a run off the existing business or to commence voluntary liquidation. Takaful Re has no problem to meet its liabilities as it has a large capital basis more than statutorily required."

Given the above, Albaharna believes that the Egyptian market has been gradually developing in the region and it certainly has come along long ways since 7-8 years ago. "This market had historically faced a lot of challenges locally; however, I am happy to see that things have started to reform and stabilise even though the public sector companies still have the major market share in the country," he adds.

"Arig used to be an active player in the past in Egypt. But now we do not have a much involvement. We had to cut down our portfolio as the market was not profitable for the reinsurers on the treaty side. That is why we shifted our focus more on the facultative side. I believe Egypt is a market that we can gradually come back on a selective basis. This is what we have been gradually looking into for the coming years," he notes.

"On the regulatory side, there is always room for improvement when we compare the regulatory framework with that recommended by the International Association for Insurance Supervisors (IAIS) which has set a high bar for many developing countries to follow. Of course, Egypt is considered to be more organised and focused as it was one of the forerunners long time ago in terms of streamlining rules, regulations and supervision of this vital sector," he adds.

It is interesting to know from the expert how does the reduction in rates affect reinsurers. Albaharna says: "In order to produce a profit, reinsurers have to create a margin and price business correctly. This means that whenever we underwrite, we have to look at various factors such as the characteristics of the risk in question, the company and the ceding country, amongst other factors. Individual risks, countries and companies have risk loadings and by employing them eventually one arrives at a technical rate. While there could be some room for reinsurers to offer a discount given the persistent soft pricing conditions (depending on the margin involved), this would only be acceptable up to a limit since beyond a certain point it would be difficult for reinsurers to justify doing so vis-a-vis the technical pricing outcome. If there is 25% or 50% annual reduction on certain business' pricing it is quite possible that this could result in a declinature because it would make no pricing sense. Having said that, most insurers underwrite by utilising pricing models and an offer might not pass a pricing model with an unsustainable pricing level or terms, consequently the underwriter would not be able to write it and would have to obtain special approval from his boss (or from a pricing committee) in order to do so."