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Capital Return Is Key Focus of Reinsurers

The shifting dynamics in the market for reinsurance and insurance companies



Countries must have common standards: Yassir Albaharna, Chief Executive Officer of Arig

Yassir Albaharna, Chief Executive Officer of Arig, has recently given during the 10th anniversary summit of the "Middle East Insurance Review" an overview of the MENA reinsurance market and how it has developed over the last 20 years, citing the main challenges that unfortunately still persist such as low insurance penetration and highly competitive markets. However, there has also been positive development in the market, for example, introduction of corporate governance, pricing tools, risk modeling and capital assessment.

It is expected with the present economic climate of falling oil prices that reinsurance premium growth in the region to trail even further behind GDP growth.

The trends toward further liberalization of trade and commerce are being met with a positive attitude. However, given the more recent pressure on insurance prices, MENA insurers should cooperate and collaborate their efforts than engage in cut-throat competition.

In conclusion, Yassir Albaharna believes that consolidation which is a much talked about topic is not going to happen over the next five years in the MENA region because there are more pressing issues at hand. He adds: "I believe the harmonization of insurance laws and regulations should take a priority as all MENA insurance markets in

general, and in the GCC countries in particular, are occupied with expansion targets and for them it is better to expand across the region."

The Chief Executive Officer of Arig went on to explain the present trends in the insurance industry and how companies are coping with the economic crises.

"Naturally, the primary role of regulators is to protect policyholders, but now comes a bigger challenge because there are differences in regulations between various countries. Consequently,

what is the evolving role of a regulator? A regulator should cooperate with other regulators and while providing the necessary diligence to his home regulations, at the same time he should be willing to consider minimum standards in cross-boarder regulations. The trend is that the world is getting smaller and technology is playing an important role. Why are a lot of these regimes, laws and regulations different? Fundamentally, all should adopt common standards that are relevant and appropriate for all. Once, we reach this stage, then companies will be able to grow in a much professional fashion."

The whole financial industry is calling today for more unified economic policies with insurance being a small part. "If it is done in other territories, I believe it is then possible within the GCC. The challenge is how to make it happen but someone needs to drive the push if there is a general benefit," he adds.

Consolidation will facilitate economies and reduce risk. "Consolidation will make the industry more efficient, because there will be no need to duplicate processes, products or structures. It will allow companies to gain foothold in other market segments or even other countries. So, the priority should be first to build stronger national companies, then to expand abroad to service other clients. It is better to have those stronger companies expanding regionally,"

Albaharna notes.

Given the more recent claims in the GCC's insurance industry, it is important at this stage to shed some light on the UAE's mega projects safety measures and how far does it may impact the insurance industry.

"Obviously, it is heartening to see losses which could have been prevented in the first place. Accidents are caused by human error, faulty design or through natural catastrophes. Yes, losses can be mitigated. The construction industry after the large claim in "The Address" should become wiser. There are new regulations that are being introduced now for new codes for buildings. We all learn from such incidents."

Albaharna concludes by commenting on the present challenges, "This is a tiring time for many reinsurance companies, with Arig being one of them. Our plan is to continue on, but concentrate on products within those geographical areas that give us a prospect of a higher margin, while reducing our exposures to lower margin accounts. Regarding Takaful Re, our subsidiary, it is now in runoff. We have tried as one of the main shareholders of this company to turn around its performance but the circumstances were unfortunately overwhelming and we could not reform its business model. So, it will have to commence a natural run off and exit accounts it previously underwritten. As far as Arig is concerned, we continue to look for opportunities in our markets and we see prospects in specialty lines and life".

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