Arig creating an Asian flavour

From Graduate Trainee to CEO of Arab Insurance Group (Arig), **Mr Yassir Albaharna** has worked in Arig for his entire working career, assuming various underwriting and managerial positions. In this exclusive interview, we find out how Arig has been evolving into a global reinsurer as well as what its plans are for Asia.

By Shakun Ashoka Raj

Being part of Asia

In December 2005, Arig was given the licence to operate from Singapore in support of its East Asian growth strategy. Through its Singapore branch operations, Arig now offers its reinsurance capacity to markets in Singapore, Malaysia, Indonesia, Thailand, Brunei, The Philippines, Hong Kong, Korea, Taiwan, Vietnam, Cambodia, Laos, Macau and China.

Asserting that Arig is an Asian reinsurer, Mr Yassir Albaharna said that the vast majority of its employees are Asian and it already has a natural proximity to South Asia, a marketplace with growing global relevance.

On the Asian markets, he said: "Many companies, local and foreign, remain volume driven, looking at market share rather than profitability and sustainable development. However, we do see a changing mentality. Capital comes at a higher premium now and will be in greater demand with ever increasing CAT exposures and Solvency II around the corner."

Therefore he added that reinsurers in particular will be forced to realise higher returns from their Asian accounts or move to other markets. In the long run this will spell good news for everyone. It is a paradox that all goods and services are becoming more expensive yet insurance premium is expected to reduce, he said.

Mr Yassir Albaharna

Strategy of profitable growth

Elaborating on its strategy, he said: "Our strategy of profitable growth is paying off. Since we do not carry large overheads in Asia as some of our competitors do, we are able to be selective in our underwriting and devote more time to clients with specific needs."

He added: "We are essentially driven by our customers' needs rather than the Law of Large Numbers. In practice this means we are staying outside of over-subscribed and under-priced programmes, favouring clients and accounts that do not feature prominently on the agenda of premium-hungry competitors yet offer sound economics. This creates a win-win scenario because we can help our customers where others do not and therefore become relevant to them. In return we can ensure that Arig's bottom line expectations are met."

Setting up in Labuan

Although the bulk of Arig's business comes from Northeast Asia, the Singapore outfit still makes sense as it could not find another domicile with a better blend of professional resources, developed infrastructure, stable pro-business policies and a forward looking regulator, he said.

Recently, Arig obtained a branch license for the Labuan International Financial Centre, thereby further strengthening its presence in the Far East.

Challenging Asian markets

Just by looking at the volume potential of the most populated Asian countries, opportunities are abundant. However, he said: "The real challenge in China and India is not to grow premium but to manage the risks associated with the business we write and running the operation, moulding a sustainable business model that returns reasonable profits to shareholders over time."

He added that recent economic events and prominent defaults or near-defaults have dramatically highlighted once again that growth cannot be considered a stand-alone achievement.

Middle East catching up with Asia

Not forgetting the Middle East markets and where Arig is headquartered in Bahrain, Mr Albaharna said one of the key differences between the Middle East and Asia is that the pronounced development of the Middle East region has only recently occurred.

The boom in construction is only happening now in the Middle East whereas this took place in Asia some 20 years ago. He elaborated that this has increased the awareness of insurance and for example personal lines has just started gaining momentum. However, besides the slower development, there are still abundant opportunities in this region as most Middle Eastern markets, especially in the GCC, are open to foreign investment which has brought about the influx of know how as well as development and created new jobs.

Another difference is that the share of insurance premium in the GCC countries' GDPs remains low at around 1%, unlike in most Asian countries and this is mostly because of the underdeveloped life insurance sector, as there was past welfare support by the local governments and some cultural apprehensions, he added.

Differences in strategic positioning

Since there are obvious differences between Asia and the Middle East, Arig's strategic positioning varies. Mr Albaharna said: "In the Middle East we write a large portfolio of pro rata treaty and facultative accounts simply because Arig was among the first regional capacities to be established and is now more than ever being sought as a credible and secure alternative to global reinsurers that may come and go as they tend to be driven by changing Head Office strategies."

Recently, Arig has additionally built a sizeable book of personal lines business in life and medical, which now makes up around 30% of Arig's written premium, he added.

Whereas in the Far East, he said: "We are taking an opportunistic view on the individual markets. While it may make sense for Arig to write an across-the-board share in the proportional treaty programme of a regional company in China, we may choose to avoid such covers in some markets in Southeast Asia and rather look at Professional Indemnity accounts on a facultative basis. Controlling internal and external cost is key to our strategy, which gives us added flexibility that we are able pass on to our clients."

However, he said that the fundamental similarity is that in both regions it remains bottom line driven using advanced pricing and modeling tools to ensure that its client relationships are creating benefit to both partners.

Living by two principles

Mr Albaharna said Arig has two principles it adheres to. Firstly it only underwrites what it truly understands as it will not provide innocent capacity. Secondly, "we will aspire to lead where we have the competence, can exercise

a reasonable degree of control and remain comfortable about the associated exposure to our portfolio," he said.

Advising that Arig has been taking lead positions in Liability, some Marine lines, Motor Extended Warranties in the Middle East as well as Life and Medical as well as selected treaty programmes he added: "You may expect Arig's name to feature more prominently in Specialty Lines but also mid-tier programmes in some volume markets. On selected facultative accounts, we may tie up with established professional partners to enhance our value proposition."

Making Arig more successful

Turning to the man leading the company, Mr Albaharna was named Insurance Leader of the Year at the Middle East Insurance Forum 2009 Insurance Awards.

He listed three personal critical success factors as his key motivation. In his own words, they are: "It is important to know one's insurance clients and treat each with respect and care; to keep abreast and evaluate the ever changing market environment and to lead and motivate others in the organisation to deliver their best."

Certainly timeless and proper advice for everyone in the industry!