

INSURANCE & REINSURANCE | RENDEZ-VOUS DE SEPTEMBRE 2017-MONTE CARLO

## Insurers Search for Growth

Despite all the negative events that affected the region, insurers and reinsurers aspire to further developments in the market

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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.

Yassir worked within the reinsurance division of Arig during his entire working career and assumed various underwriting and managerial positions. Throughout, he has traveled extensively and represented Arig in numerous regional and international forums.

Albaharna is currently the CEO of Arig, Chairman of Arig Capital Limited (London), Chairman of Gulf Warranties (Bahrain), Chairman of FAIR Oil & Energy Insurance Syndicate (Bahrain), Chairman of Arig Insurance Management DIFC (Dubai), Chairman of FAIR Non Life Reinsurance Pool (Istanbul), Managing Director of Takaful Re (DIFC), Board member of Arima Insurance Software (Bahrain) and Board member of GlobeMed (Bahrain). He is also Board member of the International Insurance Society (New York), Vice Chairman of the Federation of Afro-Asian Insurers & Reinsurers (Cairo), President of the Association of Insurers and Reinsurers of Developing Countries (Manila) and Board member of Bahrain Institute of Banking and Finance.

Reinsurers and insurers meet under the Mediterranean sun in Monte Carlo every year. There are big developments in the markets this year, especially now that everybody here is talking about the hurricanes of Harvey and Irma and all the resulting losses that will be incurred and what this is going to mean for the big reinsurers.

As the Rendez Vous de Monte Carlo



Aspiring to further developments: Yassir Albaharna, CEO of Arig, Chairman of Arig Capital Ltd.

kicked off, BUSINESS LIFE reporters were eager to meet the reputed Yassir Albaharna, Chief Executive Officer of ARIG who is known for his knowledge and experience about reinsurance. In a special interview, Albaharna gives his views on the recent hurricanes, earthquakes, the region's challenges and Arig's growth.

"Hurricane Irma battered Florida and insurance experts are presently assessing the cost of the storm on the global industry. The big issue in Monte Carlo this year is the hurricanes, floods and the earthquakes. It is a collective calamity, which is likely to spell negative news on the industry. For long time, everyone was waiting for such an event to happen and change terms and conditions. Sadly, we need to make these changes. Of course, it is early to know now the magnitude of losses because there are still flooding and they have to clean up the mess and then do the assessment. Definitely, the first ones who will feel the influence is the recession market before the direct insurance companies. The business model for insurance and reinsurance is to pay large losses in one area from premiums collected from many other areas. So, conceivably one day, they will pay Mid-

dle East losses from US premiums or vice versa. But most likely, there will have little effect in our region; rather, an auxiliary impact in MENA insurance markets.

At present, there are no new investments by Arig and its associates. In the Middle East, we still have ongoing problems on the political arena. Every year, we talk about different political crises from Yemen onto Iraq and Libya. Syria has still a war raging but people remain hopeful to see the market coming back to normality one day; after which, Syria will need rebuilding with new investments. So, our region is effected by all of these wars and revolutions."

"Unfortunately, there is a political crisis in the GCC now, which is evolving into our neighboring country: Qatar. We sincerely hope that this situation will be resolved amicably between brothers. I am sure that our political leaders are doing their best to listen and narrow the gap. It seems like a conspiracy with a global plot to further split the Middle East region. So, Syria is going to take time and Libya is not going from bad to better. Tunisia is still suffering, especially when the country changed ten governments since the "Arab Spring". Regarding Yemen, the crisis has

dragged from one-year to three years," Albaharna explains.

Consequently, this is affecting the whole region's development, its growth and foreign investments. He hopes that, nevertheless, the mind will prevail over emotions. There is still a new generation that needs to be raised up. There is a need to invest the wealth of our nations into more productive activities rather than to spend it on war. Though, the political situation is still unstable, the insurance concept is gaining momentum because people are more aware of the need for insurance.

"Today, individuals' financial status in Libya, Syria, Tunisia and Egypt is worse than before. Now, how does this translates into insurance spending? We may find an increase in the insurance premiums, but still the base has not increased substantially. Otherwise, the results should be much more than the 1.8 percent MENA insurance penetration witnessed. North Africa's market is a developing one, in that they have more insurance awareness than the GCC countries, for example, but they just need the stability and the disposable income. The growth may not be in personal lines but, of course, governments want to protect the assets, the refineries and the major industries. This maybe the cause of the increase, but the personal lines are still as before, so I am skeptical about the real growth," he adds.

Moving forward, the Chief Executive Officer of Arig comments on the impact of Qatar's crisis on the insurance sector.

"There is a limited impact on the reinsurance sector because the insurance is still a small part. The greatest part is really in the finance, banking, trade, especially for a country like Qatar, which is very much dependent on movements of goods between it and its neighbor Saudi Arabia. This is a major threat like in most of the Gulf economies, where in-transit movement of people, goods and services is vital and very important in Doha, Dubai and Bahrain.

Yassir Albaharna says that this year's Rendez Vous de Monte Carlo had less participants from the Middle East. "This is my impression but then we have been seeing a trend of reduction in participants coming from the Middle East over the past years because of consolidations and because the MENA markets are also heavily serviced by continental and foreign reinsurers who travel very often to our region. There are also many conferences today in many other parts of the world. Of course, Arab reinsurers will continue to have a dominance in attending these conferences because of their role in the reinsurance sphere."

As for the regulations in the Kingdom of Saudi Arabia, Albaharna says: "They continue to develop their regulations at a steady pace. There are constant improvements and revisions of laws, regulations as well as compliance issues. Of course, there are financial troubles with a number of companies, so they have to accelerate acquisitions and mergers but at least they are taking active action."

Finally, Albaharna comments on Arig's second quarter financial results: "The financial results were positive. Maybe, it is not fully satisfactory as we aspire. Hopefully, the third quarter follows suit, which is going to be out in mid November and the trend appears positive. Hopefully, we stay on foot to achieve the required return that we all aspire to."

ARIG's financial results is excellent, especially that the year 2017 has been the toughest year.

"Yes, 2017 so far has been a very tough year in all fronts. The investment markets continue to have challenges and at present, there are many challenges facing insurance and reinsurance companies. Rates continue to decrease which means that we have similar, if not more, exposures for less premiums. So, it is an issue of how we deploy our capital and our other resources. Our business is full of these challenges. The gauge of technical performance of any reinsurance company is the underwriting performance, which has components of premiums, claims and operating expenses relating to underwriting activities. Normally, reinsurance companies operating performance is a function of premiums. The larger premiums, the lesser as a percentage wise is the operating cost but the underwriting operating cost is a significant part of any reinsurance company because it needs the underwriter, the marketing personnel and the information systems," Albaharna concludes.