

MultaQa Qatar Presents Burgeoning Opportunities

Hosted by the Qatar Financial Centre Authority, the 2nd MultaQa Qatar Conference took place in Doha on 15-17 March. The “Rendez-Vous” attracted around 150 senior delegates from around the world, testifying to Qatar’s increasing attractiveness as an emerging insurance centre and reflecting the MultaQa Qatar’s specific appeal as a rapidly developing platform for the region’s insurance industry. Chairman of the Conference, **Dr Kai-Uwe Schanz**, Principal Partner of Dr Schanz, Alms & Company AG, gives a summary of the event.



A compelling combination of macro-economic and structural drivers of insurance growth

The economic and industry-specific backdrop to this conference could not have been more exciting, notwithstanding the financial market turmoil and economic slowdown experienced by other parts of the world. Judging by the insurance penetration, defined as premiums as a share of GDP, the GCC region offers a tremendous potential for local and foreign insurers and reinsurers.

Non-life insurance accounts for a mere 0.5% (Kuwait), 1.0% (Qatar) and 1.4% (UAE) of GDP, compared with the global average of 3.0% and a ratio of 4.9% for Switzerland.

In life insurance, the gap is even more striking: The UAE, with the region’s highest penetration of 0.3% compares with the global average of 4.5% (source: Swiss Re, sigma no. 4/2007).

The opportunities offered by this catch-up potential are underpinned by strong economic growth – the single most important driver of insurance business. Since the beginning of this decade, the GCC countries have recorded some of the world’s highest economic growth rates, with Qatar standing out and posting an average annual real expansion rate of more than 9%.

In addition to the macro-economic dynamics, there are powerful industry-specific trends which suggest a bullish outlook for the region’s insurance markets. Insurers enjoy an extremely favourable environment in commercial lines as regional governments are determined to build a diversified and sustainable economic base for the future of their nations. On the back of this far-sighted economic policy, the universe of insurable assets is expanding rapidly.

Further, there are major opportunities arising from bancassurance, Shariah-compliant products and the introduction of mandatory insurance classes such as motor and health care.

Last but not least, the adoption of world-class regulatory and supervisory standards in places such as Bahrain, Qatar and the UAE provides the necessary foundation for the industry’s smooth, sound and sustainable development.

Ultimately, regulatory excellence enables the insurance sector to perform vital roles for the region’s economies at large such as the promotion of financial stability and security at both the national and personal levels, the encouragement of productive investments and innovation through the mitigation of the consequences of financial

misfortune and, arguably of highest importance, the mobilisation of savings and the provision of a channel for the efficient use of capital based on insurers’ role as significant institutional investors.

Far-sighted Public Policy as a Differentiator

The MultaQa’s first keynote address was delivered by **HE Yousef Hussain Kamal**, Qatar’s Minister of Finance, Acting Minister of Economy and Commerce and Chairman of the Qatar Financial Centre Authority. He highlighted the enormous growth potential of insurance and reinsurance in the Gulf region, driven by major local investments on the back of increasing oil and gas revenues. Qatar alone is investing US\$145 billion into infrastructure, property and aviation over the next few years.



HE Yousef Hussain Kamal

Another driver of insurance growth is socio-political change. Like other GCC countries, Qatar is preparing to introduce compulsory health and retirement insurance schemes as governments today no longer see themselves as sole providers of security for their people.

Risk Management as a Key Pillar of Economic Strategy



Lord Peter Levene

The second keynote speaker, **Lord Peter Levene**, Chairman of Lloyd’s of London, provided an overview of key global trends affecting risk management such as climate change, an increasing frequency and severity of natural catastrophes, terrorism and political risk as well as the emerging compensation culture. Commenting on the GCC’s future place in global insurance markets, he stressed the critical importance of local technical and management expertise. Lord Levene also called upon local insurers to forge international relationships based on security and a long-term perspective, rather than just on price. He argued that risk management must be at the heart of economic strategy, especially in the Middle East where risk exposures are soaring. The Gulf States now have a growing need – and an unprecedented opportunity – to build an insurance sector which supports this growth, and interfaces efficiently with the wider global market.

Prerequisites to Sustainable Insurance Growth

The keynote addresses were followed by a panel discussion examining the growth of the GCC region's insurance and reinsurance industry. The panel chairman, **Dermot Dick**, Executive Vice President, International Underwriting, Qatar Insurance Company, highlighted the main drivers and issues associated with the region's breathtaking insurance growth. With regard to its sustainability, he called for a regulatory harmonisation across the GCC region, industry consolidation resulting in fewer but stronger entities, a clear "split of responsibilities" between the region's emerging hubs, increased risk retention, special efforts towards product development and innovation and, finally, increasing investments in human resources.

Adding a life insurer's perspective was **Mr Graham Morrall**, Regional Head of Distribution, Zurich International Life, who elaborated on Zurich's motivation for setting up in Qatar recently: unprecedented economic growth, one of the world's highest income per capita, a large number of working expatriates and a forward-thinking regulatory regime enabling Zurich to tap into the local market based on a cost-effective branch set-up.



Mr Graham Morrall

Mr Robert Wiest, Head of Western & Southern Europe and Middle East, Swiss Re, highlighted the role of capital management in the region's context of rapid premium and exposure growth. He pointed to relevant global trends in solvency regulation and rating agency models which could challenge the GCC's insurers' current reliance on investment income as the major contributor to profits. Risky investment strategies based on a high weight of equities will be punished by these regulatory developments. Though this may put pressure on profitability, it offers the opportunity to tackle the current mismatch between assets and liabilities and, therefore, to support the sound development of the industry going forward.

Mr Wayne Jones, Partner with Clyde & Co, provided an overview of key legal issues affecting the future growth of the GCC's insurance markets. He specifically addressed the DIFC's and QFC's "Move to retail", regulatory reforms (eg Qatar's establishment of an 'integrated regulator'), the potential for passporting rights based on regulatory harmonisation as well as the emergence of re-capitalised domestic insurance players.

The series of panel contributions was concluded by **Mr Paul Murray**, Director, EMB Consultancy, who offered an actuarial perspective. He conveyed his conviction that future growth should be accompanied by increasing risk retentions which, in turn, encourage improvements in pricing, reserving and capital modeling.

Major Construction Projects: An Engine of Insurance Growth

A particular highlight of the conference was a number of case studies from the corporate world. The responsible project managers of what are some of the world's largest construction endeavours gave a first-hand insight into the tremendous insurance opportunities offered by these

projects and also highlighted the increasingly sophisticated requirements placed on insurance providers.

Mr Howard Bevan,

Senior Business Planner at Qatar Petroleum, explained the company's current and planned building activities, while **Mr Jim Bell**, Project Manager, Scott Wilson Consultancy Group, introduced the New Doha Port project which is designed to accommodate growth to 2030 while minimising environmental impacts on sensitive coastal areas. He also addressed key risk management challenges such as identifying, quantifying and controlling risks as well as the complex insurance requirements of the project – ranging from Contractual Liability to Environmental Liability.

Mr Bernardo Gogna, Director, New Doha International Airport, concluded the series of corporate presentations by introducing the Airport project, a cornerstone of Qatar's economic development plan.

These views from the corporate world were complemented by AIG's assessment of the region's growth drivers and prospects. **Mr Osama Abdeen**, Executive Vice President, Arabian Region, presented key market data illustrating the regional insurance markets' world-beating growth momentum, but also highlighting their still minor share of the GCC countries' GDP. To fully capture the region's growth potential, he called upon policymakers and regulators to address existing gaps. He specifically mentioned the use of industry associations, improvements in market data and the introduction of consumer awareness programmes as key contributors to the sector's overall development.

Risk and Reward Of Doing Business in the GCC

The final panel session was dedicated to specific risks and opportunities of doing business in the GCC region. **Mr Clive Thursby**, AM Best's Manager, Emerging and Alternative Markets, provided a balanced view of risk and reward from a rating agency's perspective. Among the risk factors he focused on was low retention rates, domestic insurers' reliance on non-underwriting income, still under-developed Enterprise Risk Management practices and an increasingly acute lack of skilled human resources.

Dr Mahmoud Khater, Chief Technology Officer, EQECAT, elaborated on three key areas of hazard risk: natural catastrophes, industrial accidents and terrorism. Against the backdrop of specific regional exposures, he provided an overview of state-of-the-art risk assessment and quantification tools and concepts.

Introducing one of the world's leading reinsurers' perspective, **Mr Andreas Molck-Ude**, Chief Executive Africa &

Middle East at Munich Re, elaborated on five key success factors for capturing regional business opportunities. First, superior financial strength; second, outstanding underwriting and risk management expertise; third, a flexible approach to product design, for example in order to cater to the specific needs of construction projects of unprecedented size; fourth, continuous training and knowledge transfer;



Mr Andreas Molck-Ude



Mr Wayne Jones



Dr Mahmoud Khater

and fifth, reliability and predictability based on a long-term commitment to the market.

The captive's perspective was offered by Mr Shaun Brook, Managing Director Middle East, Heritage. He focused on specific opportunities arising from captive insurance, such as improved risk management (a particular challenge in the GCC region), claims settlement and the potential for total cost of risk savings of up to 30%.



Mr Alex Letts

Finally, covering the technology dimension of insurers' business environment, **Mr Alex Letts**, Chief Executive, RI3K, discussed the prospects for electronic risk trading in the GCC region and highlighted the benefits of electronic trading in terms of enhanced decision-making and lower frictional costs. He also identified particular opportunities in the region due to the nascent stage of the insurance industry and a relative absence of legacy issues compared with more established insurance markets.

Key Take-aways

It is hard to distill three major observations and insights from a multi-faceted event like the MultaQa Qatar 2008. From a personal perspective, the main take-aways are:

- A far-sighted, dedicated and liberal economic and public policy is of crucial importance to successfully implementing a "leap-frog approach" to building a financial centre.
- The breathtaking insurance growth momentum in the region is not expected to slow down anytime soon

because the underlying dynamics are rooted in powerful structural drivers and trends.

- We are witnessing a continuously improving overall business environment in the GCC countries. The region is gradually closing the gap vis-à-vis more established marketplaces in terms of financial services regulation and supervision, corporate and public governance and in terms of building knowledge-based economies. In different words: the development of the indispensable "software" to make the region's impressive "hardware" (eg, property and infrastructure projects) truly sustainable is well underway. 

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