

# MultaQa Qatar 2010: Charting the post-crisis course

For the fourth consecutive year, the Qatar Financial Centre (QFC) Authority hosted a pre-eminent platform for leading insurance industry figures from the GCC region and abroad. This year, the main focus of MultaQa Qatar was the implications of the financial crisis on global and regional insurers' strategy and operations. In addition, the role of risk management as a boardroom issue and the future shape of the GCC insurance landscape were in the spotlight. **Dr Kai-Uwe Schanz**, Conference Chairman & Principal Partner of Dr Schanz, Alms & Company, Zurich, brings the highlights of the rendez-vous held last March.



In his opening keynote address, Mr Abdulrahman Ahmad Al-Shaibi, Managing Director and Board Member of the Qatar Financial Centre (QFC) Authority, pointed out that in 2009 Qatar's real GDP continued to grow robustly and the government achieved a substantial fiscal surplus. "Qatar's success reflects the country's far-sighted and reform-oriented economic development policy, aimed at diversifying away from oil to LNG, and then into the non-hydrocarbon economy," he said.



Mr Abdulrahman Ahmad Al-Shaibi

Mr Al-Shaibi also reaffirmed that the financial services sector is core to Qatar's economic diversification strategy. Insurance is featuring prominently on the strategic agenda of the QFC, with reinsurance and captive insurance constituting two out of three key pillars.

Mr John Coomber, former CEO of Swiss Re and Board Member of Qatarlyst, focused on the impact of the financial crisis on the global insurance industry and the way forward. With the industry's contribution of close to 7% of global GDP and holding of more than 10% of the world's assets, "it is only natural that [it] was hit by what was the most severe financial market dislocation and economic recession in decades", he said.

But Mr Coomber also stressed that a number of major structural trends will remain unaffected by the crisis. One example is the rising demand for protection against natural catastrophe losses. He identified the driving forces as an accelerating concentration of values in catastrophe-prone areas as well as the impact of climate change.

Delegates were also provided with an update from the Acting CEO of the QFC Authority, Mr Shashank Srivastava. He reported that since its inception in 2005, the QFC has attracted 120 international and local firms, almost a fifth of which in insurance.



Marking the next phase of its development, the QFC Authority recently announced a new strategy, with a clear focus on creating three specific hubs in Qatar: asset management, reinsurance and captive insurance, allowing all market participants, both domestic and foreign, to benefit from the attractive local market potential and use it to springboard into other countries in the region.

Mr Srivastava sees exciting opportunities for the US\$5 billion GCC reinsurance market as cessions abroad start to decline and regional capacity expands. He also highlighted the significant potential for captive insurance in the GCC, driven by the privatisation of state assets, increasingly sophisticated risk management standards and the introduction of compulsory insurance covers.

Mr Dermot Dick, CEO of Q-Re, presented a case study on the establishment of Q-Re as the first licensed QFC reinsurer. He shared four key lessons with the audience: Firstly, allow for more time to complete the application and licensing process. Secondly, the choice of consultant is vital, particularly relating to compliance and corporate governance. Thirdly, project team leadership matters greatly. And, last but not least, a positive engagement with the regulator is a key success factor.



Mr Dermot Dick

## CEO panel



Mr Yassir Albaharna

Mr Yassir Albaharna, CEO of Arig, introduced one of MultaQa's traditional highlights – the regional CEO debate. Under his chairmanship the panelists discussed the impact of the financial crisis on GCC insurers.

Mr Bassam Hussein, General Manager of Doha Insurance, described the effects on motor business where in the wake of the economic slowdown demand for cars declined sharply. He reminded the delegates: "Our mission is to grow the pie. And there remains a lot to be done, for example in innovation, customer service and distribution".

Mr Marc Slatter, Al Futtaim Willis' Managing Director, pointed to the severe slump in construction business in Dubai. "It fell down from a cliff", he said.

Mr Jonathan Wilton, CEO of ACR Retakful MEA, confirmed a substantial reduction in construction and marine cargo business.



Mr Jonathan Wilton

“But in each case the recovery has been swift and regional insurance growth continues to outstrip more developed markets”, he added.

Mr Christian Kraut, CEO, Middle East & Africa, Munich Re, highlighted some of the corporate responses to decreasing demand. “In addition to cutting prices, insurers have launched new products and distribution channels and further strengthened their focus on core competencies”, he explained.



Mr Christian Kraut



Mr Saad Mered

Mr Saad Mered, CEO, Zurich Middle East, emphasised the responses from regulators, ranging from heightened capital requirements to imposing a moratorium on new licenses. “These moves have helped to stabilise insurance markets following a slump in demand and an erosion of capital.”

The panel agreed that, so far, no acceleration in M&As has been observed. This reflects the absence of any regulatory pressure for consolidation, a rather high level of market concentration, a lack of profitability-driven incentives to merge and the prevalence of family businesses in the GCC insurance sector.

Mr Albaharna summarised the discussion as follows: Firstly, with the exception of engineering projects in Dubai, GCC insurance markets have, by and large, been insulated from the effects of the financial crisis. Secondly, regulation of the MENA markets is “a key obstacle to overcome, before moves towards mergers and acquisitions gain momentum”. Thirdly, as long as retention levels of insurance companies in the GCC remain low, reinsurance capital is at risk of being under-priced. And finally, personal lines is the new growth area in the market, “but the need is there for the transfer of foreign know-how to expand the range of conventional product offerings”.

### Risk management

Mr Muhammad Ghannam, Managing Director of Qatar Gas Transport Company (Nakilat), provided an exposé of the evolution of the marine industry in Qatar – the world’s largest LNG producer – and the implications for risk management. “The shipping infrastructure is the lifeblood of ‘Qatari LNG Inc’”, Mr Ghannam said. And Nakilat, with more than 50 LNG vessels one of the world’s largest LNG fleets, is the key element of that infrastructure.

Mr Ghannam also elaborated on the enormous risk management challenges a large and rapidly growing shipping company such as Nakilat is facing. The company’s insurable risk map goes far beyond asset risk such as vessels, facilities and equipment to include operational, environmental and liability risks.



Mr Raj Singh

Mr Raj Singh, Chief Risk Officer and a Member of the Executive Committee of Swiss Re, elaborated on the significant and broad mandate of the risk function in any state-of-the art insurance and reinsurance organisation. From a process perspective, in Mr Singh’s view, cutting-edge risk management is based on the three pillars of quantitative methods (eg, a reliable capital adequacy framework), risk governance and risk disclosure.

According to Mr Singh, the risk function plays an increasing role in the strategic steering of Swiss Re, where the Board of Directors sets the company’s risk attitude and risk tolerance (the ability to continue to operate following a 100-year annual aggregate Group loss). “This clearly makes risk management a boardroom issue”, he concluded.

CEO of Qatarlyst, Mr James Sutherland, described the notorious inefficiency of traditional insurer-broker-reinsurer relationships, whereby brokers create slips and enter data in their own systems, while insurers and reinsurers respond by email and enter the data in their systems – generally incompatible with brokers’ tools.



Mr James Sutherland

In Mr Sutherland’s view, a much more efficient way of doing business is the following: The business originator enters all relevant data in a central platform where there is only one set of version-controlled documentation and a structured approach to workflow, control and reporting. During the process, no emails are exchanged, just “alters” being sent out to insurers’ and reinsurers’ underwriting systems. This is the “effortless efficiency of electronic risk trading” which lies at the heart of Qatarlyst’s vision and mission.

### The next 10 years

At the closing panel, “The GCC insurance markets by 2020 – Gazing into the crystal ball” , Mr Farid Chedid, Chairman & CEO, Chedid Re, maintained that the growth potential is exciting. “However, it needs to be profitable growth, based on ‘back-to-basics’ underwriting”.



Mr Farid Chedid

Illustrating this potential, Mr Singh of Swiss Re cited figures showing that insurance penetration is a mere 1.1%, compared with 8.8% for the OECD countries. As income per capita levels are comparable, this gap should close over time. He viewed the rapid increase in insurable values, the nascent stage of life and health insurance as well as the launch of takaful products as key drivers of future market growth.

Mr Michael Whitwell, Regional President, Chartis, Middle East, Mediterranean and South Asia, concurred that non-motor lines of business need to develop in order to fully realise the region’s potential. In his view, there are three determinants of the GCC insurance markets’ future development: education, innovation and service.

Mr Stephen May, CEO of Kane, highlighted the region’s potential role as a gateway to the Asia Pacific. In his opinion, this function would significantly boost and diversify economic and insurance growth in the Gulf region. He also emphasised the importance of the Qatarlyst initiative which offers the potential of transforming the way wholesale insurable risks are transacted.

The panel agreed that improved education, innovation and regulation will be crucial for maintaining the current pace of growth and trend towards increasing sophistication.

