

MultaQa Qatar presents boundless opportunities

For the third consecutive year, the Qatar Financial Centre Authority hosted a pre-eminent platform for leading insurance industry figures from the GCC region and abroad. The impact of the global crisis notwithstanding, speakers and delegates were determined not to lose sight of the long-term fundamentals which will continue to shape the regional insurance and reinsurance marketplace once the global economic turmoil has receded: above-average economic growth based on hydrocarbon liquidity, massive government-sponsored infrastructure projects; and favourable demographics. **Dr Kai-Uwe Schanz**, Conference Chairman & Principal Partner of Dr Schanz, Alms & Company, Zurich, brings the highlights of the Rendez-vous, held last March.



The conference's first keynote address was delivered by **HE Yousef Kamal**, Minister of Finance and Economy of the State of Qatar. He highlighted three key initiatives which underpin Qatar's aspirations to develop into a regional insurance and reinsurance hub. The first major project is the establishment of Qatar Insurance Services (QIS), a technology-based insurance system delivering integrated processing between insurance and reinsurance trading partners. "QIS is a unique opportunity to differentiate Qatar and the region from other insurance centers in the world", the Minister said.



HE Yousef Kamal

A second major project is the Qatar Finance and Business Academy (QFBA). The Minister pointed out that talent is the most relevant bottleneck for the development of insurance markets. Against this backdrop, the QFBA is currently being established to address the shortage of local talent. The third priority HE Yousef Kamal mentioned was the regulatory and supervisory infrastructure. "We are committed to bringing the highest international standards of regulation to Qatar", he stressed.



Mr Dennis Mahoney

The morning's second keynote speech was contributed by Mr Dennis Mahoney, Chairman of Aon Global. Referring to the global financial crisis, he expressed his belief that "the most recent massive capital destruction combined with a world that grows ever more risk averse suggests a major market dislocation at some point soon". Mr Mahoney considered current and future market dislocations a great opportunity for new market entrants, for example as providers of new capital. In his view, Qatar has the chance of developing into a new centre of excellence, complementing the existing markets of London, Bermuda, Zurich, New York, Dublin and others.

Delegates were also provided with an update from the Qatar Financial Centre Authority, delivered by its Chief Executive Officer and Director General, Mr Stuart Pearce. Addressing Qatar's economic prospects, Mr Pearce said that the country, even though impacted by the global turmoil, is



Mr Stuart Pearce

affected to a lesser degree on the back of its resilient energy based economy and the government's strong fiscal position and leeway to increase public spending.



Mr Michael Webb

Mr Michael Webb, Managing Director, Financial Sector Development and Policy, Qatar Financial Centre Regulatory Authority (QFCRA), introduced the QFCRA's approach to insurance regulation applied to QFC firms. He stressed the regulator's commitment to a risk- and principles-based approach to regulation and supervision. Mr Webb also elaborated on the four key areas of insurance regulation performed by the QFCRA: prudential requirements, conduct of business requirements, requirements regarding internal systems and controls and, last but not least, requirements relating to the protection of insurance and policyholder funds.

CEO panel

Following Mr Webb's presentation, Mr Patrick Kenny, CEO of the International Insurance Society, introduced one of MultaQa's traditional highlights – the regional CEO debate.

Mr John Tan, CEO of Asia Capital Re, kicked the panel off by highlighting the linkages and complexity of financial sys-



Mr Patrick Kenny



tems in a globalised environment. In his view, the current global crisis demonstrates the necessity to adopt a holistic approach to governance and regulation. Mr Tan also reminded delegates of traditional virtues such as transparent pricing, a clear strategic focus on a core set of activities and an emphasis on long-term return rather than short-term compensation.



Mr John Tan



Mr Ian Sangster

Mr Ian Sangster, CEO of QIC International, pointed out that pre-crisis, the capital markets had tried to separate the financial from the physical and had lost sight of the fact that the planet is only capable of producing and leveraging a finite amount of wealth. "And we are just experiencing the results of this mismatch", he said.

Mr Graham Morrall, Regional Head of Distribution, Zurich Life Emerging Markets, provided an overview of the main current themes in the regional marketplace. Market dynamics are determined by an accelerating flight to security and quality, growing middle classes with private planning needs, including ways of coping with longevity risk, a mounting need for rigorous risk management in order to protect balance sheets as well as the availability of talent at more attractive terms and conditions.



Mr Graham Morrall



Mr Stephen May

Mr Stephen May, CEO of Heritage London & Middle East, looked at the specific role of captives in the local market environment. "Sharing in the risk enables the insurer to put more trust in the buyer and gives the insurer the confidence to retain more risk", Mr May said. He concluded that Qatar has everything it needs to develop into a top captive domicile such as a resilient economy, plenty of capital, world-class

legislation and a proactive and supportive regulator.

Mr Duncan Buchanan, CEO of Marsh Qatar, pointed to the significant opportunities offered by the region's insurance markets. The growth potential is undisputed, foreign and domestic capital is expected to remain available to support premium growth and regulatory standards are improving rapidly.



Mr Duncan Buchanan

Need for profitability



Mr Robert Van Gieson

The second day of MultaQa Qatar 2009 was opened by a keynote address from Mr Robert Van Gieson, Chairman of Arch (Europe). Mr Van Gieson felt that "with all of this financial turmoil going on around us, the need for the insurance industry to focus on profitability has become even more urgent." This urgency is supported by the fact that, in the past, the insurance industry has struggled to return a profit on

the huge amount of capital at its disposal.

Elaborating on the reasons for this dismal performance, Mr Van Gieson pointed out that "all too often, the industry is its own worst enemy. It has been said that 20% of the public make the purchases based on price; and the insurance industry sells the remaining 80% on price." In his view, insurers focus almost exclusively on price savings or price reductions, promoting commoditisation.

A winning formula



Mr Leonard H Schrank

The morning's second keynote address was delivered by Mr Leonard H Schrank, former CEO of the Society for Worldwide Interbank Financial Telecommunication (SWIFT) and a member of the Board of Directors of Qatar Insurance Services (QIS). As key success factors of SWIFT, Mr Schrank identified the careful selection of the participating community, the definition of standards and the quality focus underlying all processes. Summarising, he quipped: "You

have to think big, start small, test quickly and scale fast." Mr Schrank also believes that this transaction principle can be successfully applied to QIS, one of the QFC's key projects, which will provide a very solid foundation for Qatar's objective to become the region's leading insurance and reinsurance centre.

A changing risk landscape

The following presentation by Mr Luc Albert, Managing Director at Swiss Re, provided an overview of the rapidly evolving risk landscape and the challenges associated with it. He highlighted three main trends:



Mr Luc Albert

- The increasing complexity, driven by technological progress (eg, biotechnology and nanotechnology);
- The mounting inter-connectedness of risks, as a consequence of globalisation and economic integration; and
- The increasing severity of risks.

Mr Albert provided one regional example to highlight the consequences of limited insurance penetration: Cyclone Gonu, which swept across the Arabian Sea in 2007 as the strongest tropical storm on record. Economic losses amounted to US\$4 billion but only \$200 million was picked up by insurers and reinsurers. The considerable gap between economic and insured losses reflects the GCC region's very low insurance penetration.

Investment strategies



Mr Carl Bauer

Mr Carl Bauer, Managing Director and Co-head of the European Financial Institutions Group, JP Morgan, provided delegates with his thoughts on "Funding for growth – The capital challenge". Most insurers responded to the financial crisis by de-risking their asset portfolios. Mr Bauer identified five key challenges European insurers currently face: asset impairments, liquidity management, Asset-Liability-Management, risk concentration and capitalisation,

with most players facing acute capital pressures. Mr Bauer stressed that not all of these challenges are relevant for GCC insurers, for example due to Shariah laws prohibiting interest-based financial products.

Elaborating on capital management, Mr Bauer explained that the current crisis challenges traditional solutions such as hybrid debt, senior debt or rights issues. Against this backdrop, insurers look into alternatives such as obtaining capital relief through adverse development covers and opting for reinsurance-like structures to reduce asset risk.



Mr Jon Morton

The morning's final speaker was Mr Jon Morton, Head of the newly established QFBA, addressing the topic of "Building a strong regional talent base". Mr Morton expects the QFBA, a Qatar-based and Qatar-branded learning academy for the financial services industry, set up in partnership between Qatar Foundation and Qatar Financial Centre Authority, to

make a major contribution to effectively addressing and meeting the development needs in the areas of education and learning.

Potential for success

In his closing remarks, Conference Chairman Dr Kai-Uwe Schanz shared his personal takeaways from MultaQa Qatar 2009: First, Qatar seems to be "an economic pocket of resilience", based on robust gas and oil revenues, far-sighted

development projects and a strong fiscal position. Second, the regional insurance markets continue to offer significant opportunities, even in the short-run, defying the global crisis. Risk awareness and aversion are on the rise and likely to boost demand for insurance solutions. And third, Qatar's determination and commitment to develop into a regional insurance hub seem stronger and more credible than ever, as evidenced by the establishment of QIS and

QFBA. 



DIARY

6th IFSB Summit

5-8 May 2009, Singapore

This Summit aims to address the challenges posed by the recent developments in the global financial markets to the Islamic financial services industry (IFSI). While the current IFSI structure is considered sufficient to support the industry's development, it is necessary to examine whether it will continue to be relevant to cater for the future growth of the industry. More importantly, it is necessary to examine whether the industry can remain competitive and resilient as its services and products expand and its stakeholders become increasingly sophisticated.

The Summit aims to address these issues as well as highlight the role of the stakeholders towards developing a robust future for the IFSI. The Monetary Authority of Singapore is hosting this first IFSB Summit to be held in Asia, with the theme of "The Future of Islamic Financial Services".

For more details, visit www.ifsbsingapore2009.com/



Second International Conference on Insurance & Marine Transportation

11-13 May 2009, Aqaba, Jordan

This conference is jointly organised by the Jordan Insurance Federation in co-operation with the General Arab Insurance Federation and the Shipping Agents Association, with the theme of "Claims & Risk Management".

Speaking at the conference are international experts specialising in the technical and legal issues of insurance and marine transportation, along with experts in marine transportation and representatives from the Jordanian judicial system.

For more details, visit www.aqabaconf2009.com/

