



MULTAQA
QATAR
2011

**Addressing the opportunities and challenges
of growth, competition and regulation**

Conference summary

Prepared by Dr. Kai-Uwe Schanz, Advisor to the Qatar Financial Centre Authority

Preface

Dear Colleague

On behalf of the Qatar Financial Centre Authority ("QFCA") may I extend you a warm welcome and thank you for joining us for the 5th MultaQa Qatar conference.

It is a reflection of MultaQa's increasing importance that we have been able to attract so many senior (re)insurance industry and risk management professionals and stakeholders to what has become the region's leading independent platform for discussion around some of the most important trends in the regional insurance industry and their global context.



When we embarked on the MultaQa journey in 2007, our ambition was to create a (re)insurance 'rendezvous' in the Middle East, a unique forum to debate the major driving forces of the regional industry. We are delighted that, five years on, this has very much been achieved. Today, MultaQa provides a real and important platform for decision-makers to come together and shape the direction of the industry.

The past twelve months since the last MultaQa in 2010 have been of great significance to the GCC region. With recovery in oil & gas prices and a strong pipeline of infrastructure projects worth over US\$ 1 trillion, the GCC region, and Qatar in particular, are back on the path to rapid growth. The crowning glory of this period for Qatar was the award of the right to host the FIFA World Cup 2022. This award is a testament to Qatar's commitment to developing all segments of the Qatari economy. It also testifies to the global recognition of Qatar's and the entire region's aspirations.

This year's conference program has been designed to focus on how best to move the regional industry towards its next phase of accelerated growth. Our comprehensive programme of presentations, and CEO and senior executive panel discussions will look at the dynamics of the global (re)insurance marketplace, specific opportunities offered by the GCC markets, the future of corporate risk management in the GCC region and the ingredients for a dynamic (re)insurance marketplace.

I am also delighted to inform you that the QFC has made significant progress since we embarked on our new strategy that is focused on developing

reinsurance, captive insurance and asset management hubs in Qatar. By focusing on these three hubs, we are leading the expansion of Qatar's financial services sector and aim to provide a uniquely sustainable platform for regional growth in reinsurance, captive insurance and asset management.

With the conference program featuring discussions on a broad spectrum of strategic opportunities and challenges, and with preeminent local, regional and international speakers, we are sure that you will find the conference an authoritative source of information, as well as an opportunity to engage in the debates that are helping to shape the future of our industry.

I look forward to meeting you.

Akshay Randeva

Director Strategic Development

Conference Programme

Monday 14 March 2011	
08.45	<p>Chairman's Opening Remarks</p> <p>Dr. Kai-Uwe Schanz, Chairman & Principal Partner, Dr. Schanz, Alms & Company</p>
08.50	<p>Economic and insurance industry fundamentals of the GCC: delivering the next phase of accelerated growth</p> <p>His Excellency Yousef Hussain Kamal, Minister of Finance and Economy of the State of Qatar</p>
09.10	<p>Key strategic opportunities and challenges in global (re)insurance</p> <p>Graham White, Deputy Chairman, Lloyd's of London</p>
09.40	<p>Qatar's credentials as a financial services hub:</p> <ul style="list-style-type: none"> • Qatar's evolving financial services sector • Domestic insurance potential • Developing Qatar as a reinsurance/captive hub • Trends in the GCC reinsurance market <p>Abdulrahman Ahmed Al-Shaibi, Managing Director and Board Member of the QFCA</p>
10.00	<p>How the IIS is responding to the growing importance of emerging insurance markets such as the GCC region</p> <p>Michael J. Morrissey, President and CEO, International Insurance Society</p>
10.50	<p>Dealing with the challenges of the global reinsurance marketplace: Abundance of capacity</p> <ul style="list-style-type: none"> • Anaemic exposure growth and tighter reinsurance budgets in mature markets • Pressure on margins • Regulatory uncertainties (Solvency II, IRFS) <p>Vision 2020 for global reinsurance markets:</p> <ul style="list-style-type: none"> • Globalisation V2.0: Will Europe's and Bermuda's dominance wane? • Who will be the new reinsurance providers and customers? • Consolidation in reinsurance: Continuation or reversal? <p>Panel chairman: Dr. Kai-Uwe Schanz, Chairman & Principal Partner, Dr Schanz Alms & Company</p> <p>Panellists: Juergen Gerhardt, CEO, Echo Re Hans Joachim Guenther, Chief Underwriting Officer Europe & Asia, Endurance Manfred W. Seitz, MD Berkshire Hathaway Group Reinsurance Division International Salvatore Orlando, Head of Southern Europe, MENA, Africa & Latin America, Partner Re</p>
11.50	<p>11.50 CEO Panel Debate How do global trends impact on GCC insurance and reinsurance markets? The panel will examine the following topics:</p> <ul style="list-style-type: none"> • The sluggish and highly uncertain recovery of the global economy suggesting a limited scope for growth in insurance premium volumes • Ultra-low interest rates • Regulatory challenges <p>Panel chairman: Charlie Cantlay, Chairman, Aon Benfield Re</p> <p>Panellists: Gail Norstrom, Chief Risk Officer, Gulf Re Bruno Bertucci, General Manager & SEO, Generali Middle East Regional Office Andreas Pollmann, Client management Executive – Divisional Unit MENA, Munich Re Ian Sangster, Acting CEO, Q-Re</p>
14.15	<p>Qatar 'Case Study' Clinics</p> <p>Talent and Lifestyle Issues: Recruiting, training, and retaining the best and living in Qatar Co-leaders: Mark Greenwood, Regional Director – MENA Region, Chartered Insurance Institute (CII)</p>

	<p>Susan Lansing, Corporate Development Director, Qatar Finance and Business Academy</p> <p>Takaful: Understanding Islamic insurance Leader: Jonathan Wilton, CEO ACR ReTakaful MEA BSC Insurance regulation in the GCC Leader: Michael Ryan, Managing Director responsible for legal and policy matters, and Deputy Chief Executive Officer, QFCRA</p>
15.30	<p>Reinsurance Roundtable From growth to sophistication: The strategic way forward for reinsurance in the GCC (Closed session for invited guests)</p>
Tuesday 15 March 2011	
08.50	<p>Chairman's Recap Dr. Kai-Uwe Schanz, Chairman and Principal Partner, Dr. Schanz, Alms & Company</p>
09.00	<p>Keynote Address: Qatar 2022 and the dramatic growth of insurable assets in Qatar Show casing Qatar's growth over the next decade</p> <p>Ali Bin Abdulatif Al Misnad, Honorary Treasurer, Qatar Chamber of Commerce & Industry</p>
09.30	<p>Panel Debate: Risk management responses to corporate needs</p> <ul style="list-style-type: none"> • Traditional risk management through insurance • Non-traditional risk management through risk retention and captive insurance • The establishment of a corporate risk culture <p>Panel Chairman: Shaun Brook, , Managing Director Middle East, Kane</p> <p>Panelists: James Portelli, Executive Vice President - Head of Strategy & Planning, Oman Insurance Ronny Vellekoop, Senior Executive Officer and Office Manager, Marsh Lee Scargall, Director of Enterprise Risk Management, Qtel International Rahat Latif, Enterprise Risk Management Lead - Corporate Planning, Qatar Gas Risk</p>
10.50	<p>An economic outlook: The GCC in the global economy</p> <ul style="list-style-type: none"> • The state of the global economy • The GCC as a pocket of resilience and source of continued growth • Qatar as one of the world's fastest growing economies <p>Mario Maratheftis, Head of Research West, Standard Chartered Bank</p>
11.20	<p>Regulatory prospects in the GCC and Qatar</p> <ul style="list-style-type: none"> • Current state of affairs • Lessons from the financial crisis • Prospects <p>Michael Ryan, Deputy Chief Executive Officer, Qatar Financial Centre Regulatory Authority</p>
11.50	<p>The ingredients of a dynamic (re)insurance marketplace - how can we make it happen?</p> <ul style="list-style-type: none"> • Drivers for insurance growth in the GCC • Criteria for choosing a location for doing insurance business in the Gulf • Developing products and regional markets - challenges and opportunities • Bringing buyers and sellers of insurance together - value added services <p>Panel Chairman: Yassir Albaharna, Chief Executive Officer, Arig</p> <p>Panellists: Peter Koerner, Chief Operating Officer, ACR ReTakfaful Wayne Jones, Partner, Clyde & Co. Heather Goodhew, MD – Head of Asia and Middle East – Head of Property Facultative, Aspen Re Mark Randall, Director, RFIB Middle East James Sutherland, CEO, Qatarlyst</p>
13.00	<p>Chairman's summary and closing remarks</p>

Day 1 – 14 March 2010

MultaQa Qatar 2011 was opened by conference chairman **Dr. Kai-Uwe Schanz**, Principal Partner of Dr. Schanz, Alms & Company in Zurich, Switzerland. First of all, he pointed to the gratifying fact that the 5th MultaQa Qatar gathering succeeded in attracting a record number of senior insurance, reinsurance and risk management professionals from the region and abroad. More than 300 delegates joined, as usual admitted on an individual basis and strictly by invitation only. According to Dr. Schanz this testifies to MultaQa's growing recognition and franchise as an industry event which is designed as an exclusive thought leadership platform rather than an ordinary commercial conference.



Based on the just released QFCA GCC Reinsurance Barometer Dr. Schanz laid out some of the major opportunities offered by the GCC (re)insurance markets: The growth potential of the region's direct non-life insurance markets, in particular as insurance penetration (premiums as a share of GDP) is just a third of the global average, is considered the number one opportunity by the executives interviewed for the Barometer. The continued boom in infrastructure investments based on a project pipeline worth more than US\$ 1 trillion was mentioned as the second most important market opportunity.



New products for the region (e.g. medical malpractice and professional indemnity cover) as well as improved regulation (e.g. a 'single passport' for all insurers and reinsurers based in the GCC region) ranked third. Other frequently mentioned opportunities include Takaful insurance (also as a catalyst for general insurance awareness) and medical & health insurance (on the back of broadening and deepening compulsory insurance requirements).

But there are challenges, too: Fierce competition is considered the number one challenge facing the GCC marketplace, not surprisingly as an increasing number of international and regional players are keen to capture the region's potential. Political and geopolitical risks rank second, in particular the prospect of a military conflict involving Iran and Israel (the interviews were conducted in December and January, i.e. before domestic political volatility in the MENA region started to escalate). The third most frequently mentioned challenge is the region's vulnerability to bursting asset bubbles, be it in property, natural resources or other asset classes. Additional challenges highlighted by the interviewees include an aggravating shortage of talent as the relative attractiveness of other regions (e.g. India) improves and a significant vulnerability to swings in the global reinsurance cycle, given domestic insurers' heavy reliance on international capacity.



Dr. Schanz concluded his tour d'horizon by highlighting some of the global challenges facing the insurance industry such as a still fragile economic recovery in mature markets, aggravating sovereign debt crises, the spectre of inflation and tightening regulation. On the bright side, he mentioned business opportunities in the area of retirement funding and in emerging insurance markets which increasingly decouple from mature markets

In his opening keynote address, **HE Yousef Hussain Kamal**, Minister of Economy & Finance of the State of Qatar and Chairman of the Qatar Financial Centre Authority (QFCA), highlighted the powerful drivers behind the GCC region's increasing attractiveness for foreign insurers and reinsurers. First, the region's strong macroeconomic position against the prevailing global backdrop; second, specific opportunities offered by the region's insurance markets and, third, the



opportunities directly related to the enormous infrastructure and other capital investment programmes planned in Qatar and across the entire GCC region.

Addressing the macroeconomic context, HE Kamal referred to the GCC as an integral part of the overall new emerging markets growth engine. "As a significant pool of self-sustained, long term wealth creation and investment positioned between East and West, the region's competitive advantages as a capital and business destination can only become more pronounced against the fragile backdrop in developed markets.", the Minister said.

This exceptional attractiveness is driven by the fact that, with some two fifths of the world's proven oil reserves and around a quarter of the world's proven gas reserves, the GCC is reinvesting its natural resources wealth into broad-based economic and industrial diversification initiatives. As a testament to the success of these policies, almost 60% of the GCC countries' GDP is already generated from non-hydrocarbon sectors. In addition, as a natural bridge between Europe and Asia, the continuing development of robust fiscal, legal and regulatory frameworks in Qatar and the GCC makes the region an attractive business hub, HE Kamal concluded.



Turning to the insurance-specific opportunities offered by the GCC region, the Minister expressed confidence that regional premium growth will continue to significantly outpace the rate of expansion in other regions, which could see premiums double to US\$ 27 billion by 2014. The region's insurance growth potential is also illustrated by the fact that whilst the GCC accounts for 1.9% of world GDP, it contributes as little as 0.3% to global insurance premiums. In the Minister's opinion, demand for insurance services will continue to be driven by strong economic growth, one of the world's largest infrastructure investment pipelines and increasingly wealthy and sophisticated customers.

HE Kamal, however, acknowledged that more needs to be done: Life insurance remains heavily untapped, GCC insurers still generate the majority of net income from investment rather than underwriting and low retained premium revenues continue to illustrate the extent of the region's reliance on international reinsurance support, particularly for more complex and larger risks.

The Minister stressed the Government's commitment to continuous regulatory enhancement to provide the most conducive environment for the insurance markets to grow. He highlighted the new regulations for the captive insurance market developed by the Qatar Financial Centre Regulatory Authority as an example which the Minister expects to underpin Qatar's ability to continue attracting global insurance expertise and developing into a sophisticated insurance and reinsurance market place.

HE Kamal concluded his speech by specifically highlighting the region's infrastructure investment activities. In Qatar alone more than US\$ 75 billion were awarded to infrastructure projects between 2004 and 2010. As of January 2011, over US\$ 85 billion worth of projects were underway in the country, with a further US\$ 130 billion in the pipeline for the next three years.

Graham White, Deputy Chairman, Lloyd's of London, and Managing Director of Argenta Private Capital Limited, delivered the morning's second keynote address and elaborated on key strategic challenges facing the global insurance and reinsurance markets. He singled out three issues: The continuing soft market, the challenging investment climate and the danger of excessive regulation in the insurance industry.



In his view, insurers and reinsurers worldwide are facing testing times. Rates remain under pressure and the frequency and severity of major natural disasters keep increasing. Mr. White reminded his audience that in 2010 314 disaster events were recorded which resulted in a total economic loss of US\$ 252 billion, of which as little as US\$ 38bn were insured. These were not, however, sufficiently severe to stop rates softening. He cited a broker claiming that a US\$ 150 billion loss event would be needed to sustainably turn the global market.

He made an eloquent appeal to delegates to consider the soft market as an opportunity for the betterment of the industry by getting back to the basics. If rates are low and investment income still hard to come by, then, in Mr. White's opinion, a very clear spotlight focuses on underwriting. "We need to understand that there is a walk away price when business should be left alone and stick to it", he said.

Mr. White also emphasized the frequently neglected fact that the insurance and reinsurance industry performed well during the crisis and elaborated on the fundamental differences between insurance and banking. And yet, in his assessment, in 2011, the industry still faces the threat of getting tied up in new regulations designed primarily to curb the excesses of the banking system.

In light of these challenges Mr. White believes that the industry is presented with a great opportunity to demonstrate its immense economic and social value. "There has never been an economy able to thrive without insurance, from Babylon two thousand years before Christ, through the Phoenician maritime economies to Ancient Rome and medieval Florence, merchants have always looked for means to trade risk for security", he explained.

Before concluding his speech, Mr. White reminded the audience that the biggest challenge for any insurer is always the prospect of managing factor X – the unexpected and the unknown. He expressed confidence that the industry can tackle this challenge through robust risk management and sophisticated mechanisms of risk transfer and diversification - in a way that ensures the long term sustainability of the insurance business model and the obligations to the industry's capital providers and policyholders.

In his welcome address on behalf of the Qatar Financial Centre Authority (QFCA), **Abdulrahman Al Shaibi**, Managing Director and Member of the Board, QFCA, gave an account of the remarkable achievements made by the QFCA since its establishment in 2005. Delivering on its three-pronged strategy focusing on reinsurance, captive



insurance and asset management the platform has successfully attracted businesses from across a wide spectrum of regulated financial services and non-regulated professional services firms keen to use it not only as a springboard into other countries in the GCC, but also as a powerful regional base from which to tap into the broader growth markets of the Middle East, north and sub-Saharan Africa and the Indian sub-continent.

Supported by the QFCA's efforts, the financial services sector in Qatar has developed so rapidly in recent years that it is now the second largest contributor to national GDP after hydrocarbons and a key element of the government's strategy of economic diversification, Mr. Al Shaibi explained.

Based on a vibrant domestic insurance sector one of the main strategic priorities of the QFCA is to develop into a regional and international centre for reinsurance and captive insurance. Despite a dizzying 37% annual average premium growth rate over the past few years Qatar's insurance sector still offers plenty of potential, with an insurance penetration (premiums as a share of GDP) of just little more than one tenth of the global average.

In order to underpin its aspirations, as Mr. Al Shaibi pointed out, the QFCA has been focused on the development, enhancement and adoption of the regulatory frameworks to best facilitate the growth and sustainability of these segments of the financial services industry. For example, the Qatar Financial Centre Regulatory Authority (QFCRA) released a consultation paper last July to further enhance the regulatory environment for Qatar's captive insurance industry.

Mr. Al Shaibi also reported on significant progress made on the technological front. In November 2010, Qatarlyst, the QFC's technology-based insurance and reinsurance trade fulfilment system, acquired London-based RI3K, a technology pioneer and innovator which supports paperless transactions for the commercial insurance and reinsurance industry. This acquisition has expanded the international reach of Qatarlyst, giving it a vital link to the London insurance market.

Mr. Al Shaibi also highlighted the important contribution of the QFBA, the Qatar Finance and Business Academy, to developing Qatar's local talent base. "We are fully aware that the future growth of Qatar's insurance and wider financial services market will depend heavily on having a sufficiently large talent pool of high calibre executives to draw upon", he said.

Michael J. Morrissey, President & CEO of the International Insurance Society (IIS) offered an additional global perspective from an organization which is widely regarded as the world's leading non-profit insurance platform. The IIS is the largest multinational organization of its kind, with almost 1000 members representing global insurance



leaders from over 90 countries. The IIS facilitates cross-border exchange of ideas and initiates practical and original research that addresses the many critical

issues facing the insurance industry worldwide through a research partnership with the Geneva Association and through annual seminars. Mr. Morrissey pointed out that IIS members share resources and knowledge on an individual basis and thereby contribute to the enhancement of the insurance industry as a whole. "Invaluable relationships are forged, benefitting members and companies alike", he said. Speaking in Qatar, one of the world's fastest growing insurance markets, he also emphasized that the IIS proactively responds to changing growth patterns and dynamics in international insurance and the inexorable rise of emerging markets, for example by shifting the venue for its renowned Annual Seminars to countries such as Jordan.

As key challenges facing the global insurance industry Mr. Morrissey singled out the protracted economic malaise in developed markets, risks and opportunities related to climate change, the changing regulatory and rating agency environment, the management challenges of Enterprise Risk Management and talent development. Against this backdrop, Mr. Morrissey stressed the importance of a broad global and regional industry network as offered by the IIS, a network that can develop into a key success factor for corporate decision-makers.

For the very first time, MultaQa also featured a panel debate of international reinsurance executives, chaired by **Dr. Kai-Uwe Schanz**. The Panel comprised of **Juergen E. Gerhardt**, CEO, Echo Re; **Hans-Joachim Guenther**, Head of Reinsurance Europe & Asia-Pacific, Endurance;



Salvatore Orlando, Head of Southern Europe, Middle East, Africa & Latin America, PartnerRe and **Manfred W. Seitz**, Managing Director, International Reinsurance Division, Berkshire Hathaway. During the debate the four executives shared their views on current and future challenges and opportunities presented by the global reinsurance marketplace – the prospects of which are of utmost relevance to GCC-based insurers given their heavy reliance on international reinsurance capacity.

Mr. Guenther mentioned diversification as a major opportunity offered by global reinsurance markets – a feature which will gain further importance in light of the string of major insured catastrophe losses in the first quarter of 2011. Talking about the challenges Mr. Gerhardt pointed to the current mismatch of demand and supply, the uncertain regulatory environment and consolidation of primary insurance markets. As far as regulatory challenges such as Solvency II are

concerned Mr. Orlando highlighted the significant and costly burden of compliance imposed on reinsurers in terms of solvency capital, investment restrictions and internal processes. Mr. Seitz expressed confidence that, overall, Solvency II represents a business opportunity for reinsurers as demand for capital relief, non-proportional reinsurance and run-off services is expected to benefit from the new regulatory framework. Mr. Guenther emphasized that Solvency II is about more than just capital. It also stipulates certain minimum requirements concerning risk management processes and procedures to be met by regulated insurers and reinsurers. But he also mentioned that many, if not most insurers have started carefully monitoring developments surrounding Enterprise Risk Management long before Solvency II and the associated regulatory pressure emerged.

All panelists agreed that despite major short-term challenges, reinsurance will remain a growth industry and has particularly relevant services to offer to the rapidly growing economies and developing societies of emerging markets. Mr. Gerhardt cited statistics according to which insurance and reinsurance markets in countries which exceed a certain threshold of development tend to grow significantly faster than underlying GDPs. Mr. Seitz also reminded delegates that reinsurers have displayed a significant degree of innovation throughout the history of the industry, enabling, for example, the operation of supertankers and oil rigs as well as space launches, auguring well for reinsurers' future contribution to the rise of emerging economies.

This year's regional CEO panel, one of MultaQa's traditional highlights, was chaired by **Charlie Cantley**, Chairman of Aon Benfield Re. He was joined on the panel by **Bruno Bertucci**, General Manager, Generali Middle East Regional Office, **Gail Norstrom**, CRO, Gulf Re, **Andreas Pollmann**, Head of MENA region, Munich Re and **Ian Sangster**, Acting CEO,



Q Re. All panelists agreed that the region offers plenty of opportunities, not just in terms of infrastructure projects, increasing levels of wealth and major events such as FIFA 2022 but also in more subtle areas such as education and corporate governance. As far as regulation and supervision are concerned, the panel felt there is a strong need for better enforcement of existing regulations as well as for new stipulations, e.g. higher minimum capital requirements in order to

encourage consolidation as well as more compulsory insurance lines to boost demand, as specifically mentioned by Mr. Pollmann.

In the context of regulation, Mr. Norstrom cautioned that the market is not yet ready for RBC-type solvency regimes and caution should be applied when adopting regulatory regimes from abroad. Some panelists also felt that, as an initial step, fundamental shortcomings such as a lack of meaningful market statistics need to be addressed.

On key regulatory challenges ahead, Mr. Sangster was adamant that the excesses of the capital markets still represent the biggest treat insurers in the region and globally are facing, establishing a strong case for regulatory responses. 'Regulators must step in', he said.

Asked about the hub strategies pursued by various jurisdictions in the region, Messrs. Bertucci and Pollmann wondered whether it could be preferable for the aspiring hubs to collaborate and further enhance specialization rather than to 'reinvent the wheel'.

Addressing the political turmoil in the MENA region, Mr. Bertucci pointed out that change could develop into a major long-term opportunity, unlocking the potential for faster economic growth. Short-term, however, it presents a major challenge in terms of overall stability and perception.

DAY 2

Day 2 was opened by presentations from two senior representatives of the Qatari economy: **Ali Abdulatif Al Misnad**, Honorary Treasurer, Qatar Chamber of Commerce & Industry and **Mohamed Ali Al Hedfa**, Group CEO, Qatari Diar Real Estate Investment Company, eloquently elaborated on the dramatic growth of insurable assets in Qatar.



Mr. Al Misnad established the macro-economic backdrop and explained that, according to the IIF, Qatar's economy grew at a breathtaking 16% CAGR between 2007 and 2010. Non-hydrocarbon sectors contributed 48% of Qatar's GDP in Q1 2010, with Finance, Insurance, Real Estate and Business Services accounting for 11%. As a result of these dynamics, Qatar's GDP has doubled to almost US\$ 90 billion in just six years.

In order to illustrate the pace of the nation's infrastructure development Mr. Al Misnad mentioned that between 2004 and 2009 more than 70'000 infrastructure contracts were awarded in Qatar, with Power and Real Estate accounting for more than 50% of the total.

Mr. Al Hedfa of Qatari Diar explained that Qatar's four key investment projects alone constitute an investment volume of about US\$ 60 billion: The Qatar Railway Network (US\$ 25 billion), the expansion of the roads network (US\$ 20 billion) as well as the New Doha Port project and the establishment of nine football stadiums for FIFA 2022 (approx. US\$ 6 billion each). He also stressed that 'sustainability' is a key common core theme for all these projects.

The following panel, chaired by **Shaun Brook**, Managing Director of Kane Middle East, examined the state and prospects of corporate risk management in the GCC region. He was joined by **James Portelli**, Executive Vice President & Head of Strategy & Planning, Oman Insurance; **Ronny Vellekoop**, Senior Executive Officer and Office Manager, Marsh (Dubai) and **Rahat Latif**, Enterprise Risk Management (ERM) Lead, Corporate Planning, Qatar Gas.

In his opening remarks, Mr. Brook pointed to the fact that, historically, companies in the GCC region have retained risk on their balance sheet. However, the impact of the financial crisis is likely to challenge this paradigm and could

accelerate the introduction of new methods such as captive insurance and capital market solutions, products which are widely known as 'Alternative Risk Transfer' (ART) techniques.

Mr. Latif expressed his view that ERM is taking hold in the region, as evidenced, for example, by the rising number of peers in corporate risk management roles. This opinion was echoed by Mr.



Portelli who highlighted the increasing Board room relevancy of the subject matter. He also noted that publicly listed companies recruit more Chief Risk Officers who no longer consider insurance as just an expense item.

Mr. Latif also mentioned that for risk management to become fully entrenched in the region cultural changes, starting at the top and trickling down to the lower echelons of the corporation, are a prerequisite. Mr. Vellekop shared his observation that the attitude to risk is changing in the corporate sector and confirmed Mr. Brook's impression that awareness of Alternative Risk Transfer (ART) techniques and captive insurance is on the rise. On the specific prospects of captives, the panelists agreed that direct access to the reinsurance market is a key motivation behind their establishment, not just for the sake of cost efficiency but also in order to address new insurance challenges which are pushing traditional boundaries, e.g. nuclear power plants.

In addition, captives gain in attractiveness as governments increasingly shift the financial burden of health care to the private sector.

Following this panel session, **Marios Maratheftis**, Head of Research, Western Hemisphere, Standard Chartered Bank provided delegates with a tour d'horizon of key developments shaping the global and regional economic outlook. He expressed a bullish view on the long-term perspectives of the world economy. "We are in a 'super cycle', similar to the industrial revolution", he said, highlighting technology and globalisation as major drivers.

The world economy has digested the consequences of the financial crisis and is back to pre-crisis GDP and trade levels. The outlook very much depends on China, for which Mr. Maratheftis sees a potential GDP per capita of US\$ 20'000 by 2030, five times the current level. In his view, India will also succeed in closing the gap with China as far as the pace of economic development is concerned. The country should be able to reach a sustainable level of 8-9%

annual inflation-adjusted GDP growth. As industrialization and urbanization of Asia and other emerging regions accelerate a significantly larger part of the global population will become involved in the world economy.

Turning to the short-term outlook for 2011 Mr. Maratheftis painted a bright picture: The US is on the track of recovery, with fiscal and monetary policies proving increasingly effective. Germany acts as a powerful engine for the Eurozone. He does not expect the sovereign debt problems at the periphery of Europe to threaten the economic prospects of the 'core' countries. Mr. Maratheftis also believes that China will experience a soft landing as the government engineers a moderate slowdown of the economy. The GCC's economic prospects will continue to be shaped by the region's wealth in natural resources and highly favourable demographics. However, these strengths, in Mr. Maratheftis' view, clearly highlight the need to further diversify the region's economies and to create jobs in order to absorb the expanding (young) workforce.

In the following speech, **Michael Ryan**, Deputy CEO, Qatar Financial Centre Regulatory Authority (QFCRA), provided delegates with an overview of key global and regional developments in insurance regulation. First of all, he pointed to the shortcomings of financial services regulation exposed by the financial crisis: The interconnectedness of the system in general and the effects of a systemic institution failing in particular were not fully appreciated; the growth in off-balance sheet transactions which undermined risk management and added to risk accumulation; excessive product complexity and inadequate transparency and a lack of understanding of amplifying mechanisms, such as rating downgrades and mark to market accounting.

In terms of lessons learned Mr. Ryan highlighted the need for a macro-prudential approach to supervision which includes monitoring large exposures across firms and markets and mitigating pro-cyclical features of capital regulation. Besides strengthened capital and liquidity requirements, he called for a more effective risk management, taking into account stressed market conditions.

Turning to the GCC insurance markets, Mr. Ryan stressed the need for the regulatory framework to keep pace with rapid premium growth. The expansion of existing firms, the establishment of new insurers and brokers as well as the launch of new products present regulators in the region with major challenges. In Mr. Ryan's view, the regulatory frameworks should respond by providing clarity on the scope of permitted activities, compliance expectations and consumer protection requirements. He noted that some jurisdictions in the region have already overhauled their insurance regimes whereas others have not, presenting insurers with compliance challenges and costs across a rather heterogeneous regulatory landscape.

The closing panel was chaired by **Yassir Albaharna**, CEO, Arig. It examined the ingredients of a dynamic (re)insurance market place. Mr. Albaharna's fellow panelists were **Heather Goodhew**, Managing Director and Head of Asia & Middle East, Aspen Re; James Sutherland, CEO, Qatarlyst; **Mark Randall**, Director, RFIB Middle East; **Peter Koerner**, Chief Operating Officer, ACR ReTakaful and **Wayne Jones**, Partner, Clyde & Co.



The panel chairman kicked the discussion off by inviting views on one of the most defining features of the GCC insurance markets: very low levels of risk retentions, a feature frequently considered as incompatible with a sophisticated (re)insurance marketplace. Ms. Goodhew urged the audience to carefully distinguish between exogenous determinants of risk taking such as the global underwriting cycle and endogenous factors such as a company's internal risk management capabilities. Whereas the former is more short-term and opportunistic in nature, the latter reflects fundamental, longer-term corporate attitudes. Mr. Randall added that an insurer's capital base not only reflects the company's overall risk appetite but also specific regulatory requirements and the chosen business mix.

James Sutherland highlighted the role of technology as another important and frequently neglected ingredient of a state-of-the art marketplace. In his view the technological dimension has further grown in importance recently as pricing levels are low, investment returns meager and competition is heating up – calling for improved cost efficiency. He also stressed the potential contribution of a real-time understanding of exposures to overall underwriting profitability. And last but not least, investments in technology pay off in so far as they facilitate regulatory compliance and the increasing requirements associated with it.

On the question of market structure, Mr. Jones observed that GCC insurance markets, in particular Bahrain, Kuwait and Saudi Arabia, remain heavily fragmented, one reason being that regulators do not push for consolidation. Mr. Koerner added that the ample supply of competitively priced reinsurance capacity also helps to keep small insurers afloat and weakens the economic imperative for consolidation.

According to Mr. Sutherland another key characteristic of any dynamic insurance market is choice, a view echoed by Ms. Goodhew who pointed to an accelerating

'regionalisation' of reinsurance capacity and the emergence of regional reinsurers as an example for increasing choice in the wholesale area of reinsurance.

Prior to closing the conference **Dr. Schanz** briefly summarized the key findings from the 5th MultaQa Qatar: First, the GCC region's economic prospects remain appealing, driven by high energy prices and steady progress in executing strategies of economic diversification. Second, on the back of macro-economic dynamics, the region's insurance markets are set to continue their rapid expansion, with total premiums potentially doubling to US\$ 27 billion by 2014. The region's insurance growth potential is illustrated by the fact that whilst the GCC accounts for 1.9% of world GDP, it contributes as little as 0.3% to global insurance premiums. Third, corporate risk management in the GCC is on the rise, with an increasing number of risk managers and Chief Risk Officers pushing for cultural change in their respective organizations. Captive insurers in particular are believed to offer an attractive potential as major corporations are keen to gain direct access to reinsurance markets and seek a cost-effective response to the 'privatisation' of health care expenses. And finally, fourth, the global reinsurance market which assumes close to 50% of the region's original premiums will remain of utmost importance to regional insurers and corporates. The global market place is currently characterized by significant excess capital and preparations for a more restrictive regulatory environment. However, the longer-term outlook for global reinsurance remains bright as insurable assets, especially in emerging markets, keep growing rapidly and the complexity of the global risk landscape continues to increase.