

# MultaQa Qatar 2011: Addressing growth, competition and regulation

Despite unprecedented challenges in recent months, prospects for growth in the regional (re)insurance industry remain positive, said speakers at the 5th MultaQa Qatar. Take a look at the key points of discussions at the annual flagship event of the Qatar Financial Centre Authority (QFCA).

By **Dr Kai-Uwe Schanz**,  
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In his opening keynote address, HE Yousef Hussain Kamal, Minister of Economy & Finance and Chairman of the Qatar Financial Centre Authority (QFCA), highlighted the powerful drivers behind the GCC region's increasing attractiveness for foreign capital and businesses. Besides the wealth in natural resources, he mentioned the increasing sophistication of relevant legal and regulatory frameworks as well as very "practical" benefits such as the convenience offered by the region's geographical role as a natural bridge between Europe and Asia.

HE Kamal also informed delegates that, over the next 10 years alone, the Qatari government has allocated more than US\$150 billion to infrastructure investments. He expressed confidence that the huge pipeline of major construction projects will help the region grow into a \$27 billion insurance market by 2014. The Minister concluded his address by reaffirming the government's support of and commitment to the insurance sector.

In his welcome address, Mr 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.

For example, in September 2010, Kane became the first captive insurance manager to receive a QFC licence. Also, in November 2010, Qatarlyst, the QFCA's technology-based insurance and reinsurance trade fulfilment system, acquired London-based RIBK, a technology pioneer and innovator which supports paperless transactions for the commercial insurance and reinsurance industry. This acquisition has expanded the international reach of the QFCA's insurance transaction platform, and has given Qatarlyst a vital link to the London insurance market. Through all these moves, the QFCA has contributed to the financial services sector's development into the second-largest contributor to Qatar's GDP after hydrocarbons.

## Challenges in the global markets

Mr Graham White, Deputy Chairman, Lloyd's of London, and Managing Director of Argenta Private Capital Limited, elaborated on key strategic challenges facing the global insurance and reinsurance markets. He singled out three factors: First, the soft market which limits the growth and profitability prospects of insurers and reinsurers in most parts of the world and most lines of business. Mr White cited a broker according to whom a \$150 billion loss event would be needed to sustainably turn the market.

Second, he addressed the challenging investment climate, with meager yields available to insurers as a consequence of ultra-loose monetary policies in most mature economies. And third, Mr White pointed to the threat of excessive regulation as the insurance industry may suffer significant collateral damage from tightening rules and regulations imposed on banks.

Mr Michael J Morrissey, President & CEO of the International Insurance Society (IIS), offered an additional global perspective from an organisation widely regarded as the world's leading non-profit insurance



Mr Graham White



Mr Michael J Morrissey



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

**International reinsurance panel**

For the first time, MultaQa also featured a panel debate of international reinsurance executives, chaired by Dr Kai-Uwe Schanz. The Panel comprised of Mr Juergen E Gerhardt, CEO, Echo Re; Mr Hans-Joachim Guenther, Head of Reinsurance Europe & Asia-Pacific, Endurance; Mr Salvatore Orlando, Head of Southern Europe, MENA, Africa & Latin America, PartnerRe; and Mr 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. 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 runoff services is expected to benefit from the new regulatory framework.

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.

**Regional CEO panel**

This year’s regional CEO panel, one of MultaQa’s traditional highlights, was chaired by Mr Charlie Cantley, Chairman of Aon Benfield Re. He was joined on the panel by Mr Bruno Bertucci, General Manager, Generali Middle East Regional Office; Mr Gail Norstrom, then-CEO, Gulf Re; Mr Andreas Pollmann, Head of MENA region, Munich Re; and Mr Ian Sangster, Acting CEO, Q-Re. All panelists agreed that the region offers plenty of opportunities, not just in terms of infrastructure projects 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, for example, 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 this context, Mr Norstrom cautioned that the market is not yet ready for RBC-type solvency regimes, whereas Mr Sangster felt that the excesses of the capital markets represent the biggest threat insurers in the region and globally are facing, establishing a strong case for regulatory responses.

Asked about the hub strategies pursued by various jurisdictions in the region, Mr Pollmann wondered whether it could be preferable for the aspiring hubs to collaborate 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.

In separate presentations, two senior representatives of the Qatari economy, Mr Ali Abdulatif Al Misnad, Honorary Treasurer, Qatar Chamber of Commerce & Industry and Mr Mohamed Ali Al Hedfa, Group CEO, Qatari Diar Real



Estate Investment Co, elaborated on the dramatic growth of insurable assets in Qatar. This expansion goes hand-in-hand with the country's breathtaking economic growth, with GDP doubling to almost \$90 billion in just six years. Qatar's four key investment projects alone constitute an investment volume of more than \$60 billion: the Qatar Railway Network (\$25 billion), the expansion of the roads network (\$20 billion) as well as the New Doha Port project and the establishment of nine football stadiums in time for FIFA 2022 (approximately \$6 billion each). Mr Al Hedfa stressed that "sustainability" is a key common theme for all these projects.

### Corporate risk management in the GCC

The following panel, chaired by Mr 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 Mr James Portelli, Executive Vice President & Head of Strategy & Planning, Oman Insurance; Mr Ronny Vellekoop, Senior Executive Officer and Office Manager, Marsh (Dubai); and Mr Rahat Latif, Enterprise Risk Management (ERM) Lead, Corporate Planning, Qatar Gas.

Mr Latif expressed his view that ERM is taking hold in the region, an opinion echoed by Mr Portelli who highlighted the increasing boardroom relevancy of the subject matter. In this context, Mr Latif mentioned that for risk management to become fully entrenched in the region cultural changes, starting at the top, are a prerequisite. Mr Vellekoop shared his observation that the attitude to risk is changing in the corporate sector, as evidenced, for example, in an increasing awareness of Alternative Risk Transfer (ART) techniques and captive insurance.

On the specific prospects of captives, the panelists agreed that a direct access to the reinsurance market and the shift of the financial burden of healthcare to the private sector are the main drivers behind the establishment of captives in the region.

### The making of a dynamic market




Mr Yassir Albaharna

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

The panel kicked off by discussing the low levels of risk retentions characteristic of the GCC region, 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. Mr Randall added that an insurer's capital base not only reflects regulatory requirements, but also the company's chosen lines of business mix.

Mr Sutherland highlighted the role of technology as another important 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 while competition is heating up – calling for improved cost efficiency.

On the question of market structure, Mr Jones observed that the insurance market remains heavily fragmented, one reason being that regulators do not push for consolidation. Mr Koerner added that the ample supply of reinsurance also helps to keep small insurers afloat.

According to Mr Sutherland, choice is a key characteristic of any dynamic insurance market, a view echoed by Ms Goodhew who mentioned the increasing "regionalisation" of reinsurance capacity and emergence of regional reinsurers as an example from a wholesale perspective. 

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