

GIRO 2008 – Workshop Sessions A12

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GIRO 2008

Current Insurance Opportunities and Issues in the Middle East and North Africa (MENA) Region*

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*connectedthinking

PRICEWATERHOUSECOOPERS 

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Why Bother?

Islamic Insurance (Takaful)

The Regions

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What is MENA?

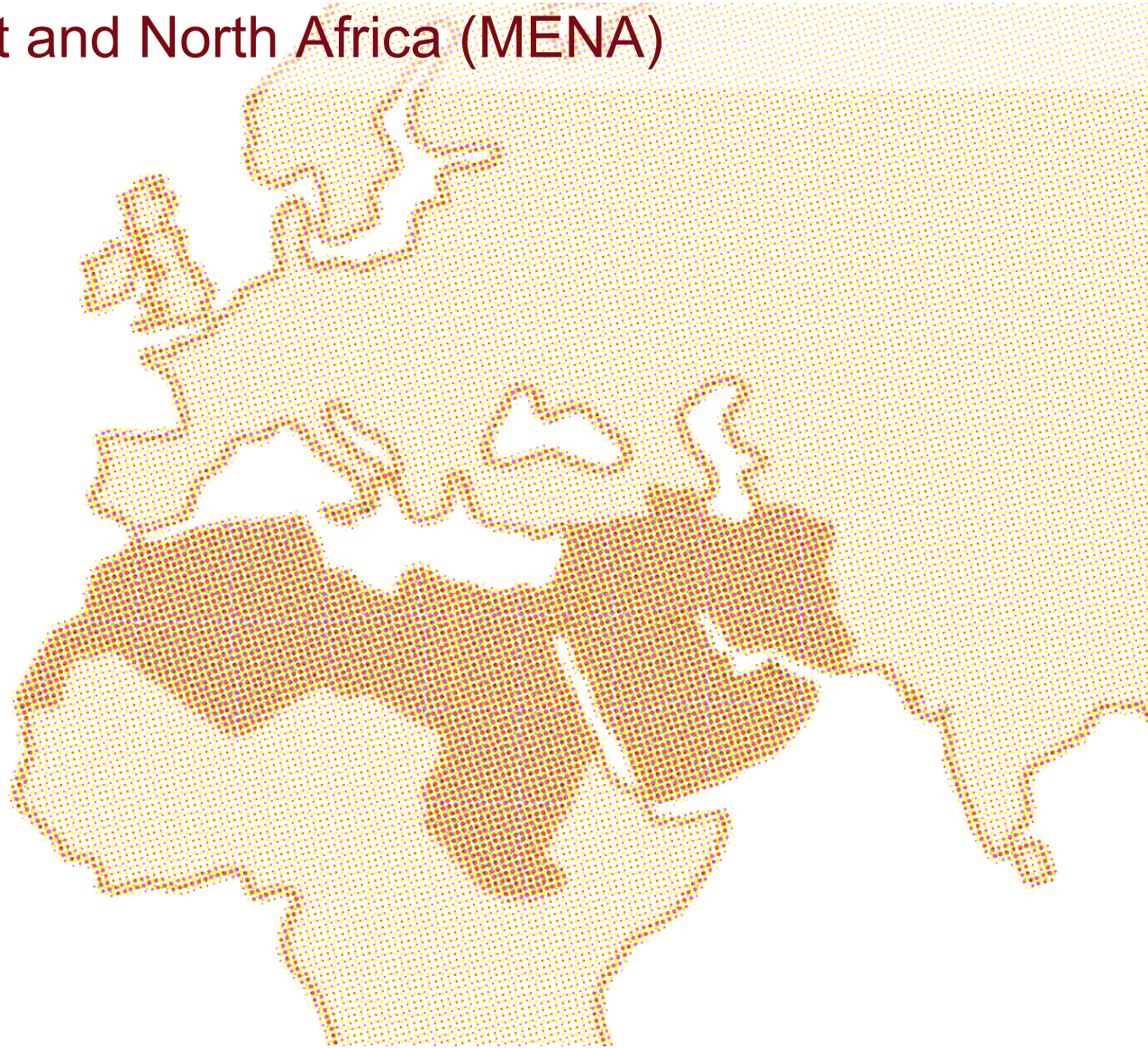
Why Bother?

Islamic Insurance (Takaful)

The Regions

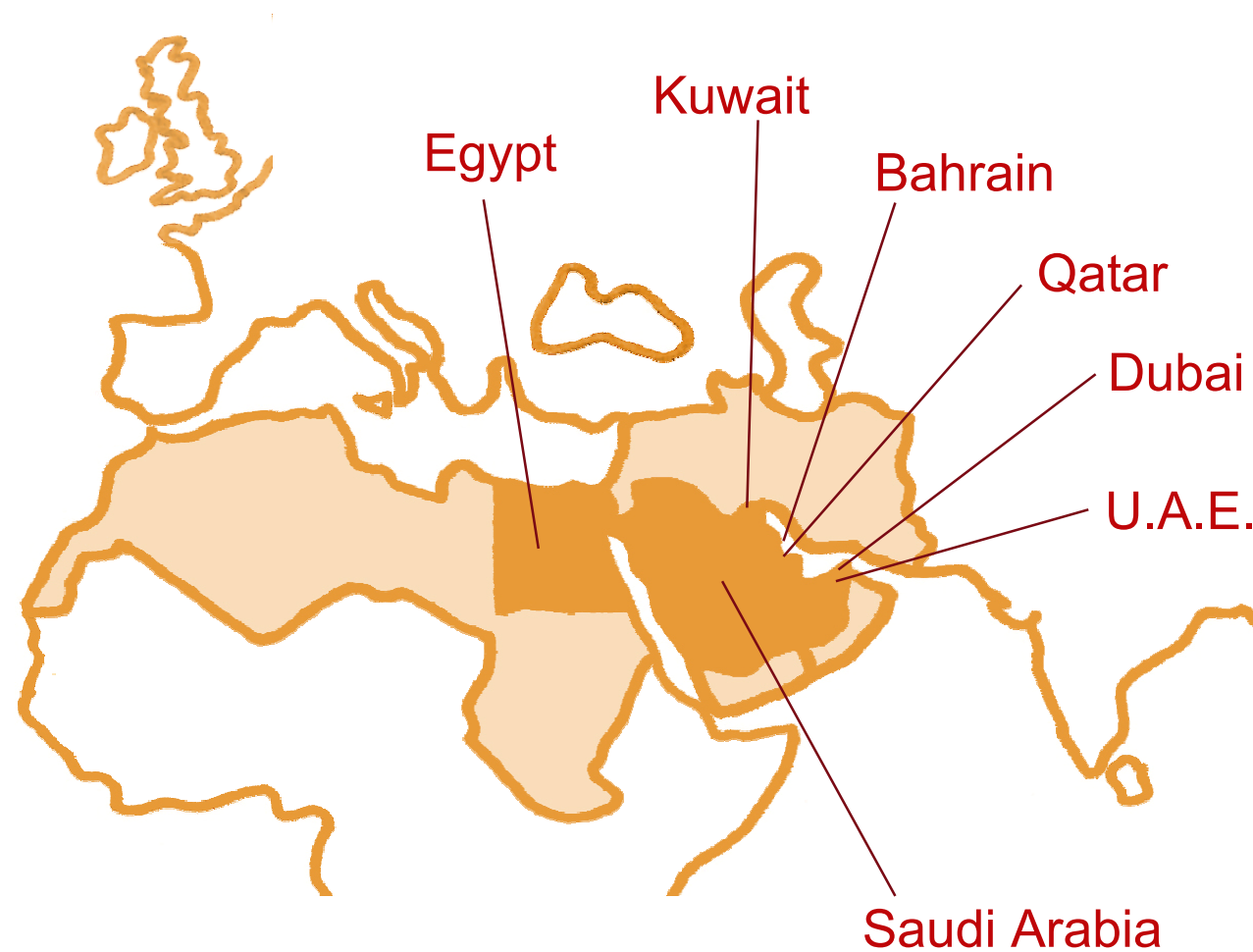
What is MENA?

Middle East and North Africa (MENA)



What is MENA?

Middle East and North Africa (MENA)



Why Bother?

Why companies should consider entering / expanding in the MENA regions

What is MENA?

Why Bother?

Islamic Insurance (Takaful)

The Regions

Why Bother?

Why MENA?

Opportunities for entering / expanding in the MENA insurance markets

- Insurance penetration very low
- Oil / Gas revenues / wealth
- Less heavily regulated than UK
- Lower start-up costs
- Tax free? / Low tax

Why Bother?

Why Now?

Current Opportunities

- Growing market
- High demand for capacity
- \$1.5trn in government spending alone over the next ten years
- Talent squeeze – early investment may capture significant market shares
- Credit crunch / Oil dollar
- Wealth increasing
- Appreciation of insurance / takaful

Why Bother?

What to Write?

Array of opportunities available in the MENA regions

- Commercial vs Personal
- Insurance vs Reinsurance
- Non-life, health and life
- Oil & Energy
- Property & Construction
- Takaful & Conventional Insurance

Why Bother?

Why Not?

Islamic Insurance (Takaful)

The role of Islamic insurance

What is MENA?

Why Bother?

Islamic Insurance (Takaful)

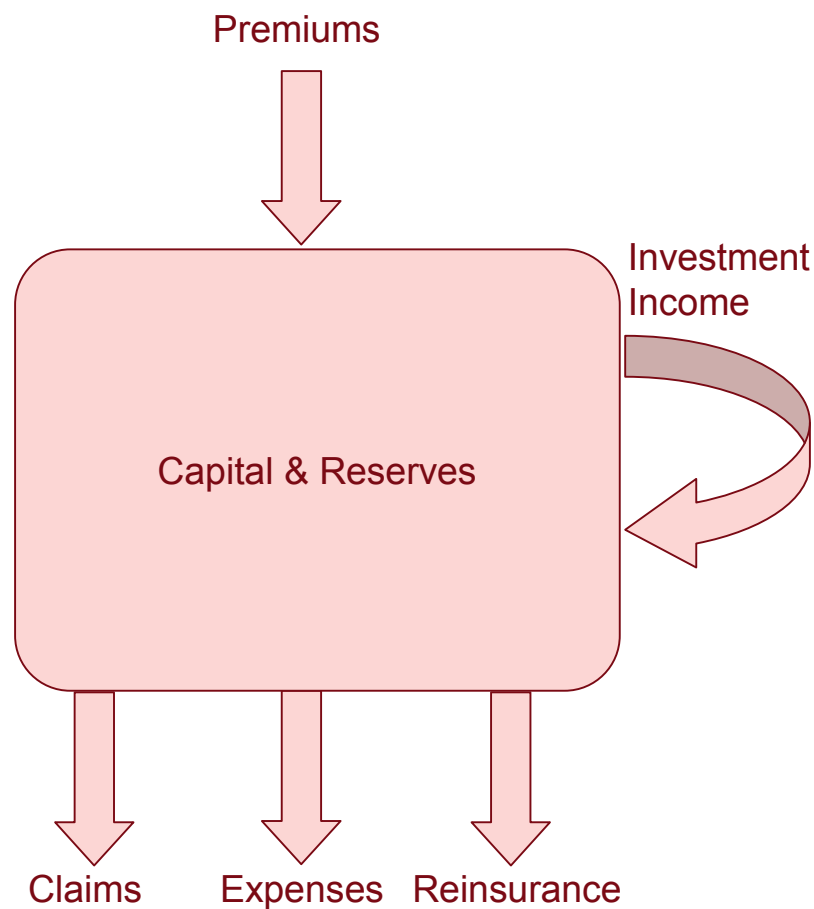
The Regions

The Role of Islamic Insurance

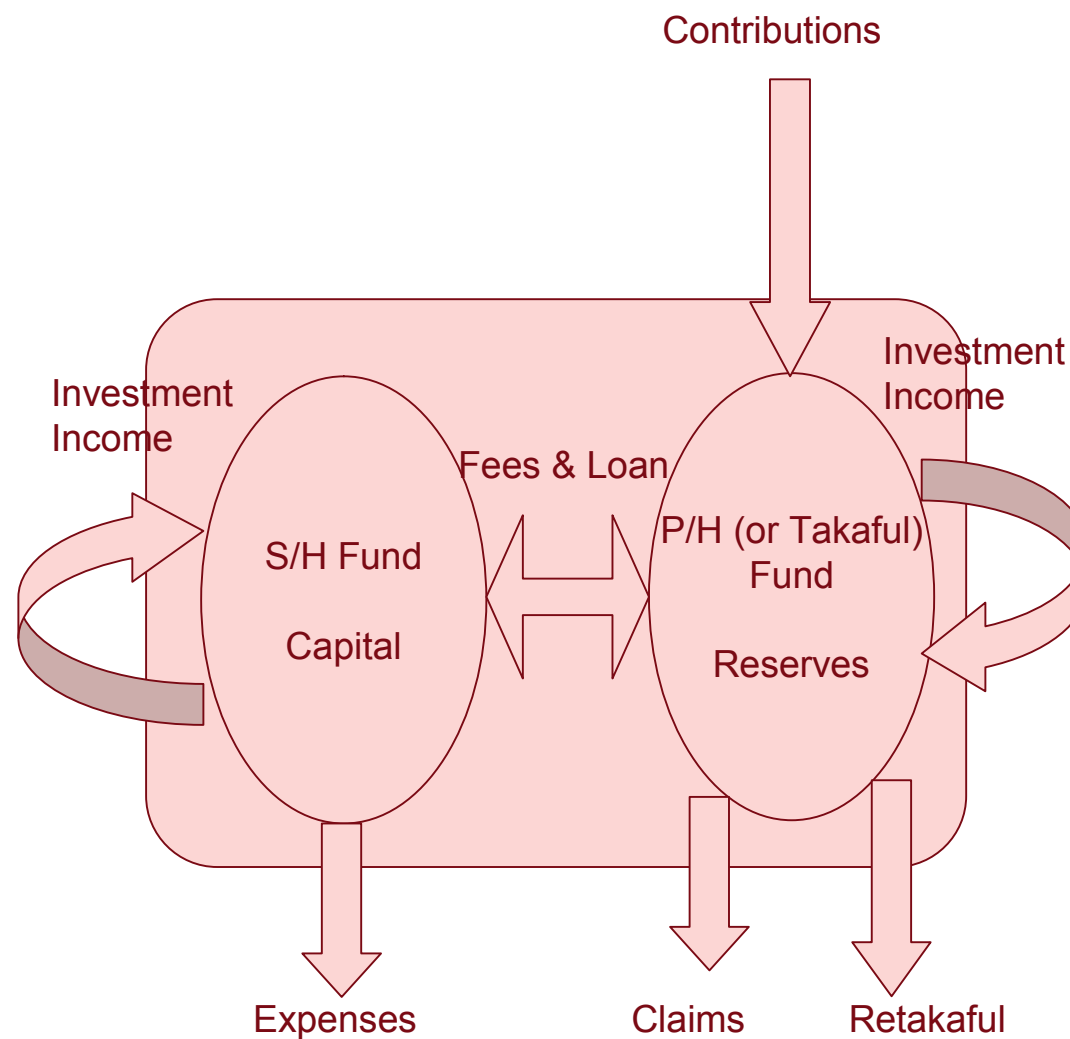
What is Takaful?

- “Guaranteeing each other”
 - Mutual insurance company within a shareholder wrapper
 - Fund split between shareholders (operator) and policyholders (participants)
 - Approved by the Council of Islamic Scholars in Mecca 1985
- **Models**
 - Mudaraba (profit sharing) % of profit to operator
 - Wakala (agency) % of premiums to operator
 - Hybrid
- Interest free loan on losses (Qard Hassan)
- Ethical investments

Conventional Insurance



Takaful Company



The Role of Islamic Insurance

The Market

- Currently > 130 takaful / retakaful entities worldwide
 - UK, Middle East, North Africa, Malaysia, Indonesia
- Estimated to become a \$10bn - \$15bn industry by 2015
 - India, Western Europe, Turkey, Southern Africa
- Recent growth in both takaful and retakaful
- Capacity
 - Local (e.g. Solidarity, Salama, Al Fajer Retakaful)
 - International (e.g. AIG takaful, Watson syndicate, Hannover Retakaful)
- Increasing sophistication of cover
- Not totally independent of traditional insurance markets

The Region

Differences and key insurance issues in each of the major countries in the MENA region

What is MENA?

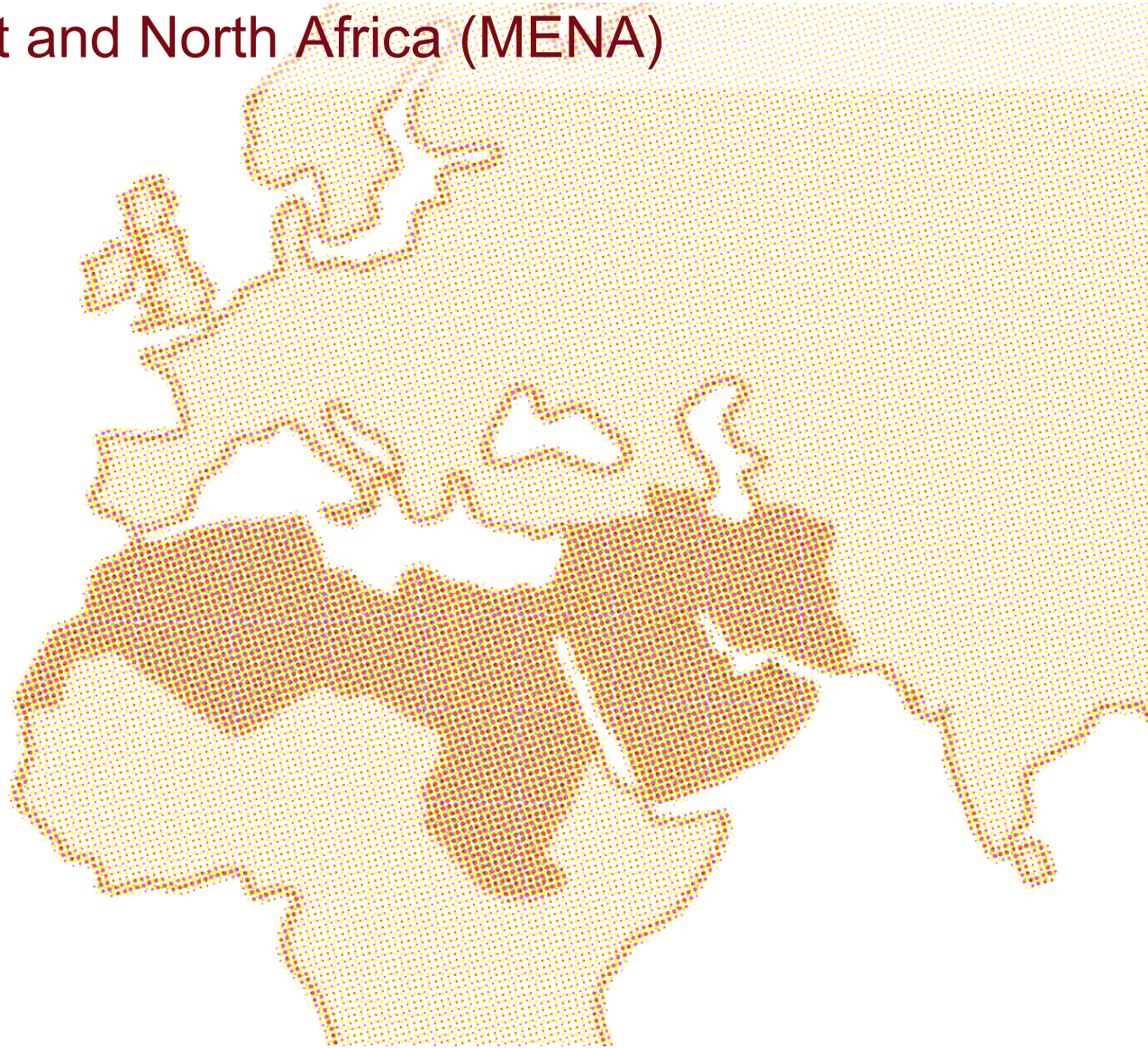
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Why Bother?

The Region

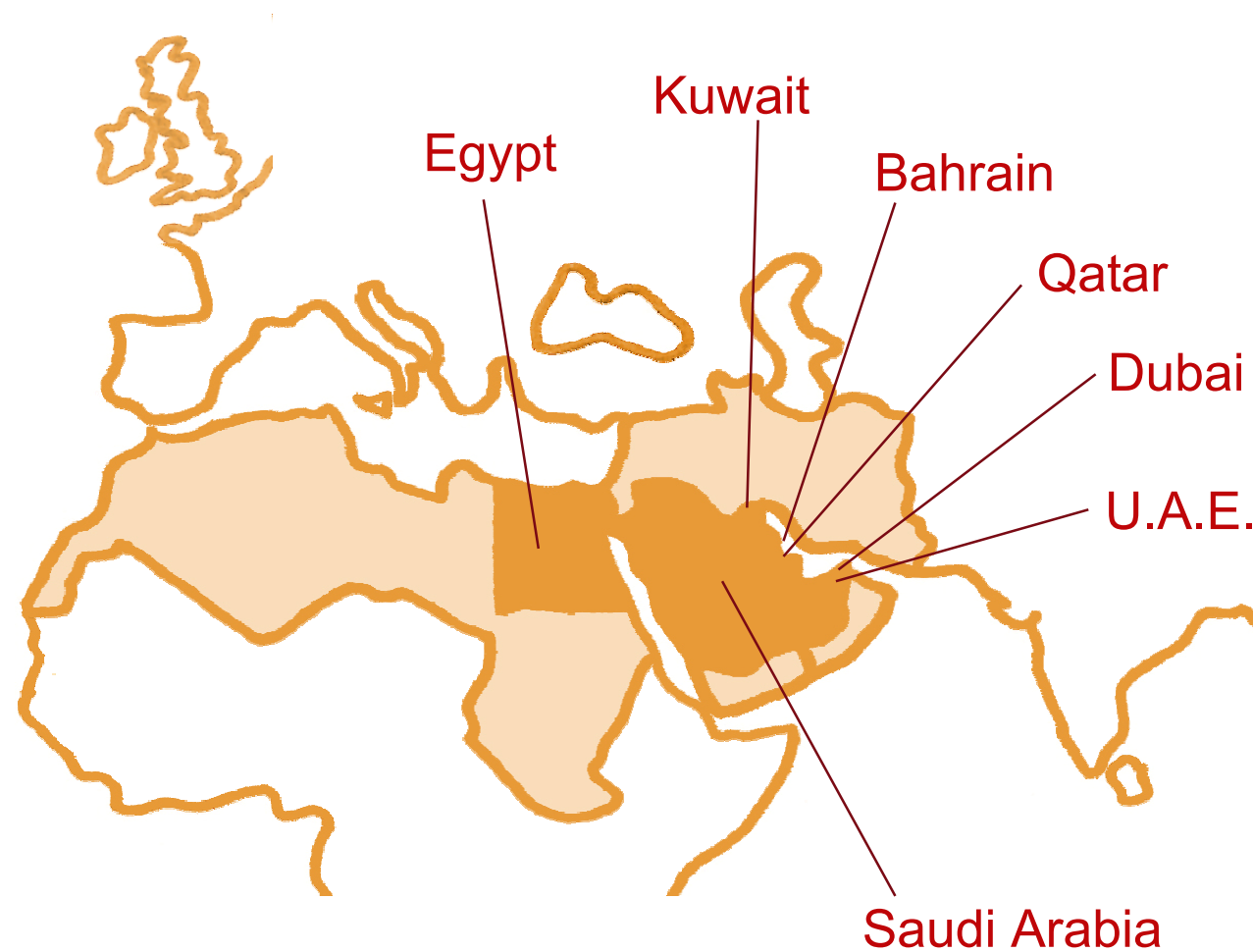
The Region

Middle East and North Africa (MENA)



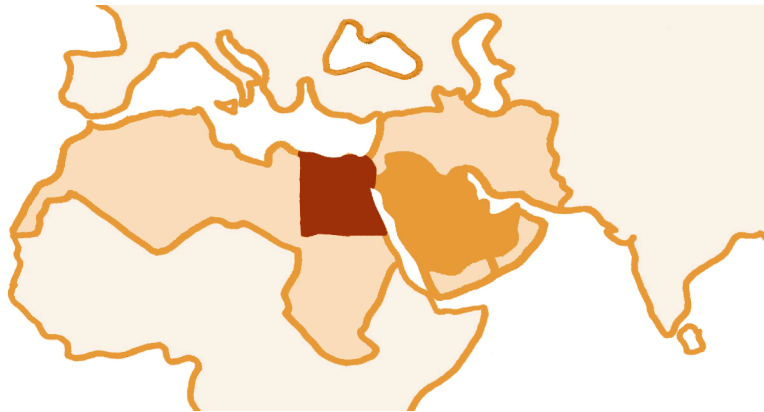
The Region

Middle East and North Africa (MENA)



The Region

Egypt



Statistics

Population	81,700,000
GDP	\$405bn

Current Market

- Predominant state companies
- Is being deregulated

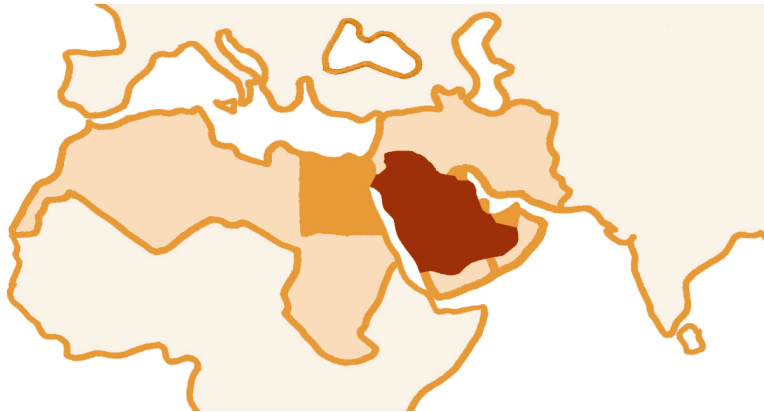
Opportunities

- Large domestic population
- Large commercial lines

Regulations

Role of Actuaries

Saudi Arabia



Statistics

Population	27,600,000
GDP	\$446bn

Current Market

- Recent surge of applications
- Up to 90% Mudaraba fee + further performance fees
- Tawuniya (formerly NCCI)

Opportunities

- Millions of Saudi citizens and expats
- Very little insurance penetration
- Kingdom's ambitious infrastructure spending plans

Regulations

- Co-operative Insurance Companies Control Law 2006
- Co-operative model mandatory (no Wakala fee)
- Saudi Arabian GAAP and IFRS reporting
- SAMA (Saudi Arabia Monetary Agency) guidelines

Role of Actuaries

- Sign off everything

The Region

Bahrain



Statistics

Population	1,050,000
GDP	\$20bn

Islamic Finance hub in the MENA region

Current Market

- Oldest of MENA markets
- Greatest number of insurers and reinsurers, e.g.
 - Solidarity Islamic Insurance & Assurance
 - ACR Retakaful
 - Takaful International Co.
 - AIG Takaful
 - Hannover ReTakaful
 - Allianz Takaful
- No surplus yet distributed

Opportunities:

Infrastructure on Shariah compliant basis

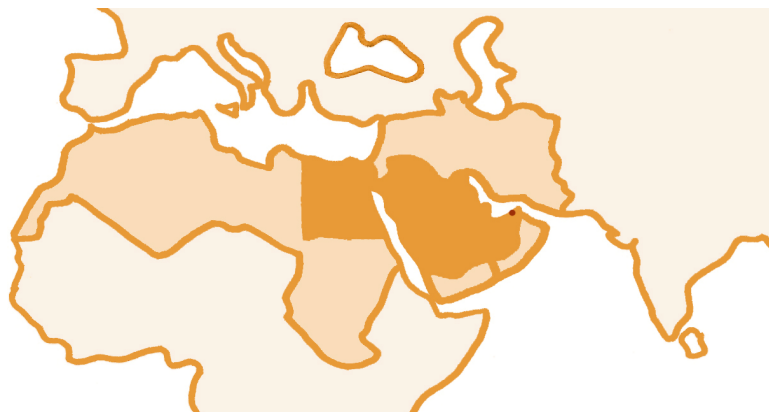
Regulations

- AAOIFI (takaful) and IFRS (conventional) reporting

Role of Actuaries

The Region

Dubai



Statistics

Population	2,300,000
Expatriates	>80%

Current Market

- Mostly Expat population
- A number of insurers
 - Islamic Arab Insurance Co – Salama
 - Takaful Re
 - Dubai Islamic & Reinsurance Company
- All using hybrid model
- No surplus yet distributed

Opportunities

Regulations

- Offshore (DIFC)
- IAAS reports and accounts mandatory
- DIFC registered: AAOIFI and IFRS reporting

Role of Actuaries

The Region

United Arab Emirates (U.A.E.)



Current Market

Opportunities

Regulations

- Onshore

Role of Actuaries

Statistics

Population	5,400,000
GDP	\$190bn

The Region

Qatar



Current Market

Opportunities

Regulations

- QIFC opening October

Role of Actuaries

Statistics

Population	1,500,000
Expatriates	~70%
GDP	\$75bn

The Region

Kuwait



Statistics

Population	3,400,000
GDP	\$130bn

Current Market

- Competitive – 23 companies by end 2006
 - Wathaq Takaful
 - 1st Takaful
 - National Takaful
 - Recently, Al Fajer Retakaful
- All using hybrid model
- No surplus yet distributed

Opportunities


Regulations

- Insurance supervision law (2008)
- Accounts on an IFRS basis (+optional AAOIFI)

Role of Actuaries

Did you know PricewaterhouseCoopers has:

- over 700 actuaries around the world?*
- the largest actuarial office in the MENA region dealing with general, life and healthcare (re)insurance and (re)takaful business?*
- the largest general insurance practice (over 110 actuaries) in the UK, Europe and is the largest single office of general insurance actuaries in the world?*
- extensive experience with traditional actuarial issues (reserving, pricing, capital management) and wider insurance consulting issues (underwriting, claims, finance and policy admin process optimisation and controls, securitisation modelling, credit rating defence, business plan review, new insurance authorisations and (re)takaful work)?*



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