

# Insurance Market Briefing - MENA

# Questions?

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# Agenda

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**Global and Regional Reinsurance Market Update**

**Insurance Market Trends**

**Panel Discussion**

# Presenters & Panelists



**Vasilis  
Katsipis**

General Manager  
Market Development  
AM Best



**Alex  
Rafferty**

Associate Director  
Analytics  
AM Best



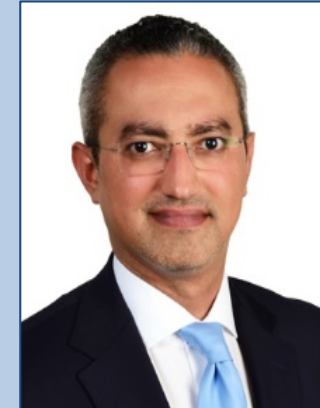
**Jessica  
Botelho-Young**

Associate Director  
Analytics  
AM Best



**George  
Kabban**

CEO  
UIB (DIFC)



**Adham  
El-Muezzin**

MD  
Hannover Re Takaful &  
Hannover Re Bahrain  
Branch



**Samer  
Abou Jaoude**

GM  
Arabia Insurance

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# Global and Regional Reinsurance Market Update

Alex Rafferty  
Associate Director, Analytics

# Discussion Outline

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**Global Reinsurance Market**

**Outlook**

**Performance**

**Capital**

**Developments**

**MENA Regional  
Considerations**



# Global Reinsurance Market Outlook – Stable

## Headwinds

**Uncertainty on potential COVID-19 related reinsurance losses**

**Low yield investment conditions and capital markets volatility**

**Less cushion in reserves exacerbated by social inflation & prop-cat reserve development**

**Global economic recessionary pressure & uncertainty of future demand for coverage**

**Uncertainty on Government intervention**

## Tailwinds

**Initial COVID-19 losses manageable with demand for improved terms and conditions - more exclusions**

**Accelerating pricing momentum at the primary insurance level**

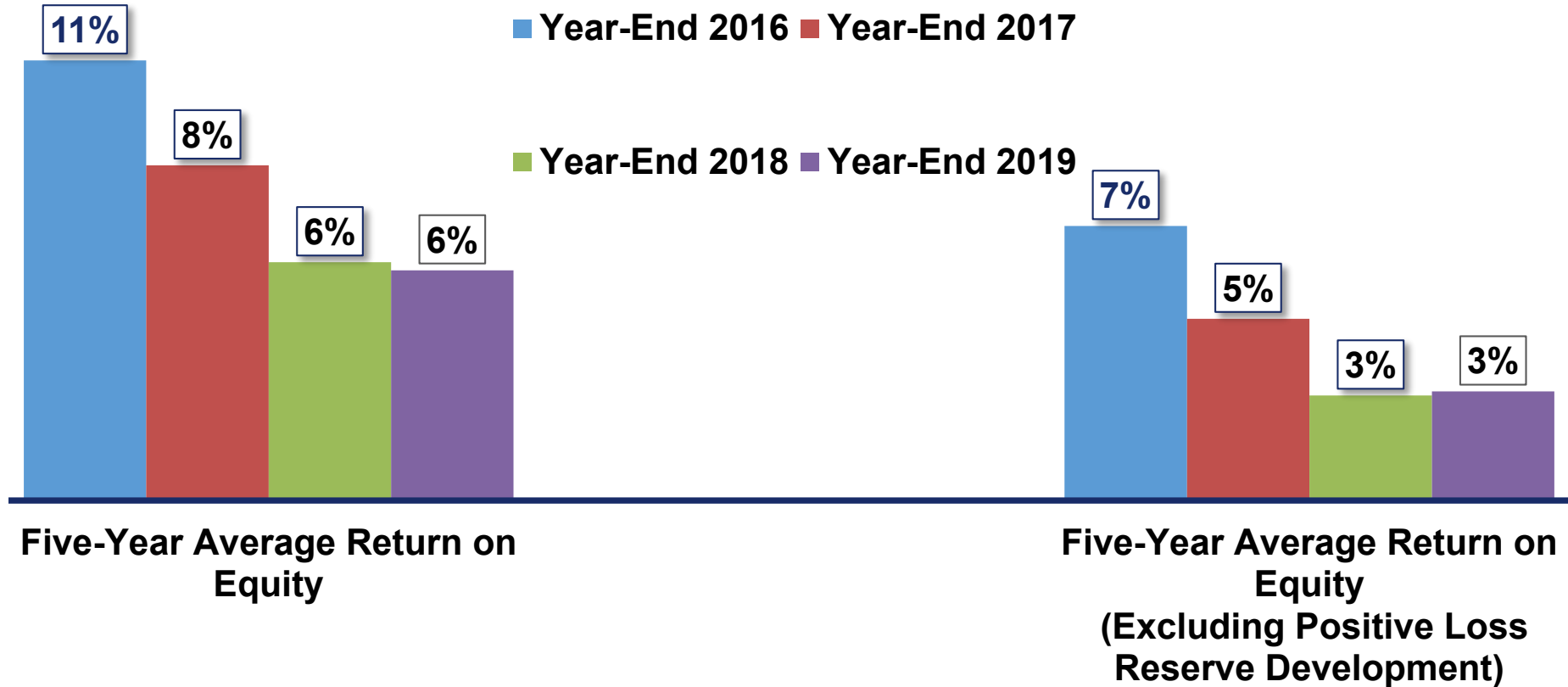
**Improving pricing across various reinsurance products**

**Flight to quality**

**Revised appetite from third-party capital and greater discipline from traditional reinsurers**

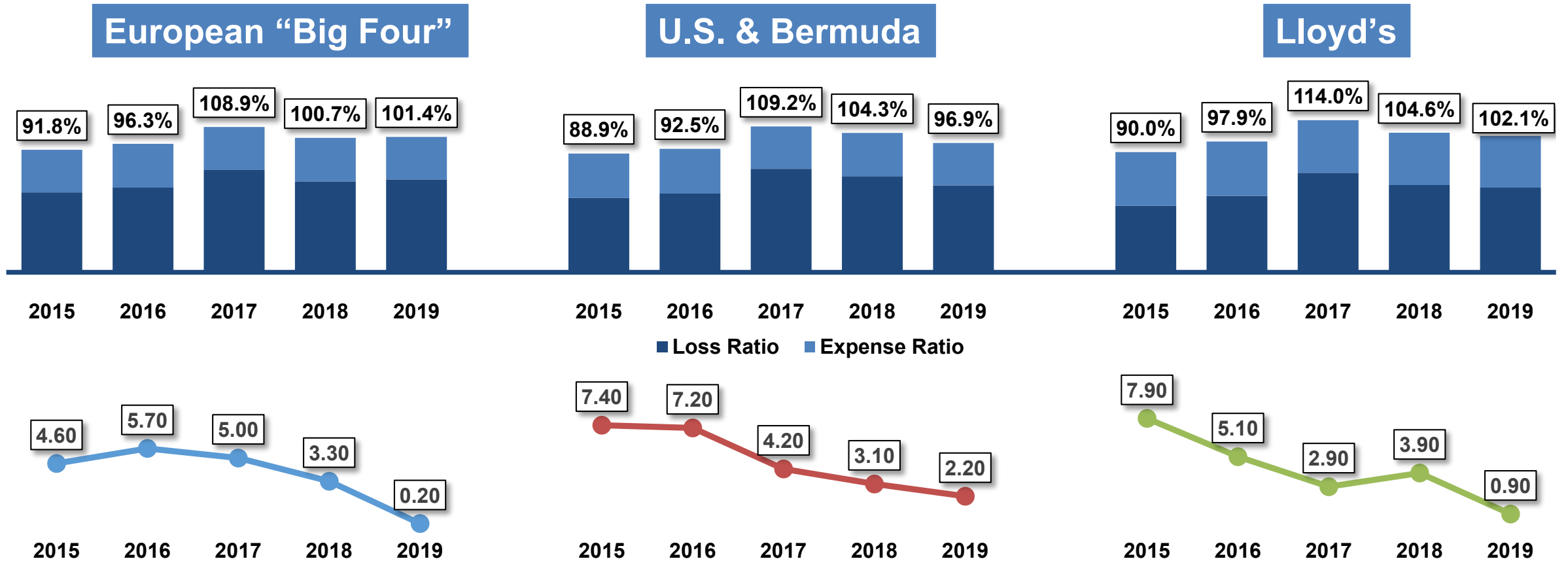
# Global Reinsurance Market Performance

## Global Reinsurance Market



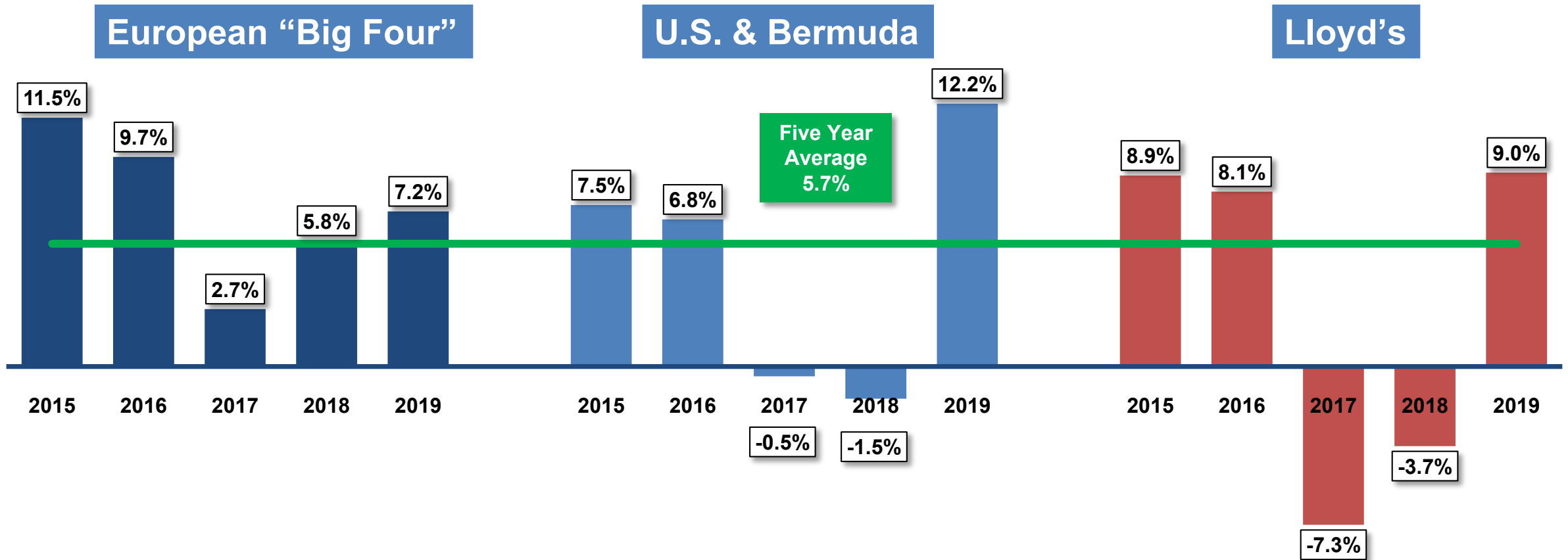
# Global Reinsurance Market Performance

## Combined Ratios and Positive Loss Reserve Development by Reinsurance Sector



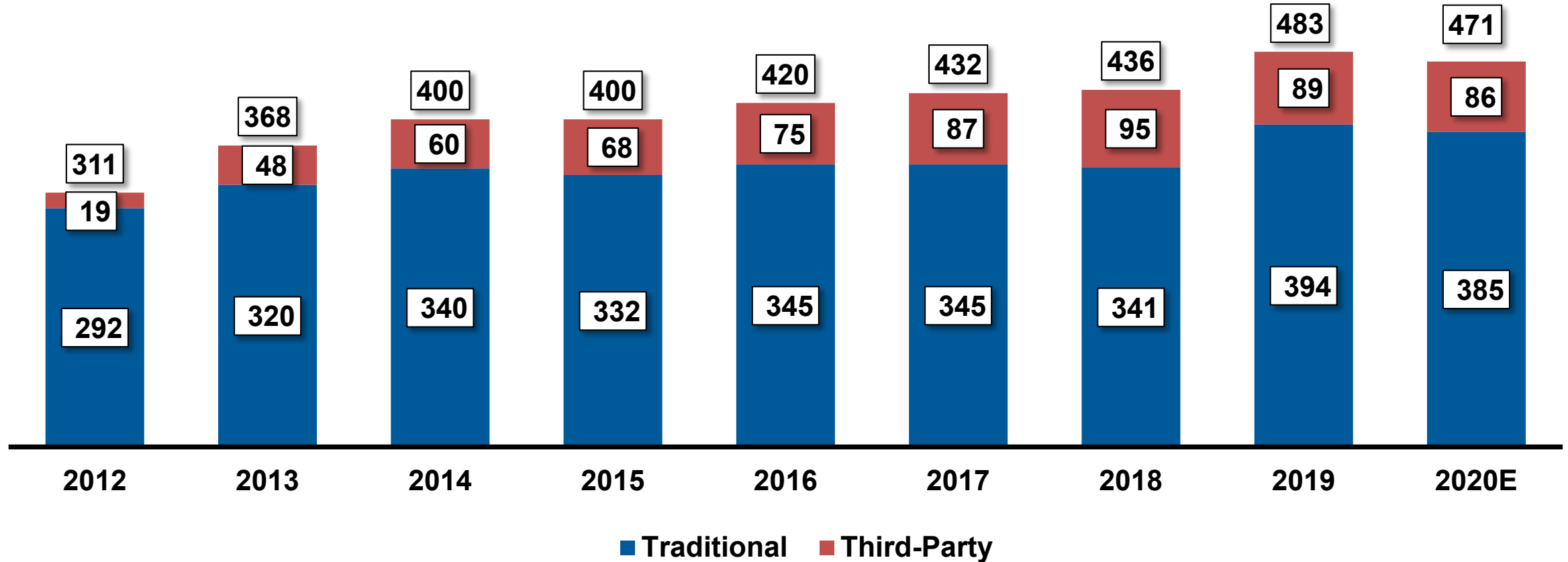
# Global Reinsurance Market Performance

## Return on Equity by Reinsurance Sector



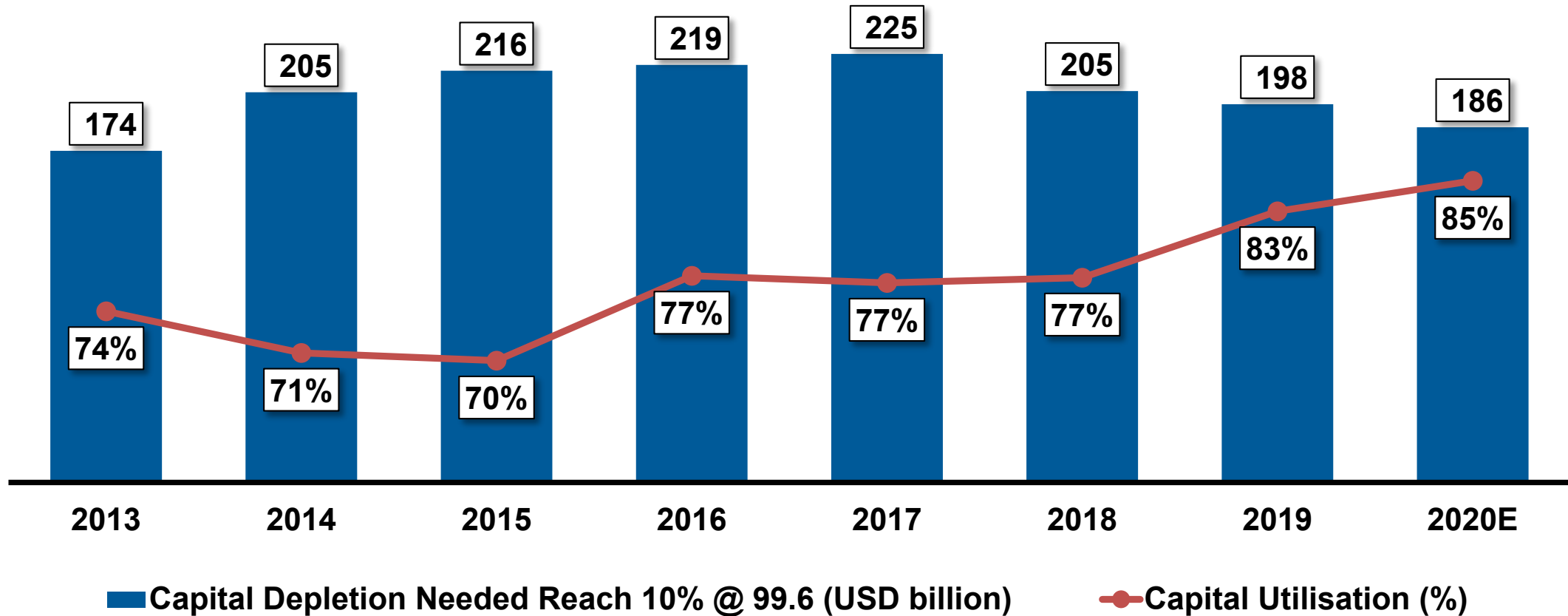
# Global Reinsurance Market Capital

Estimate - Total Dedicated Reinsurance Capital (USD billions)

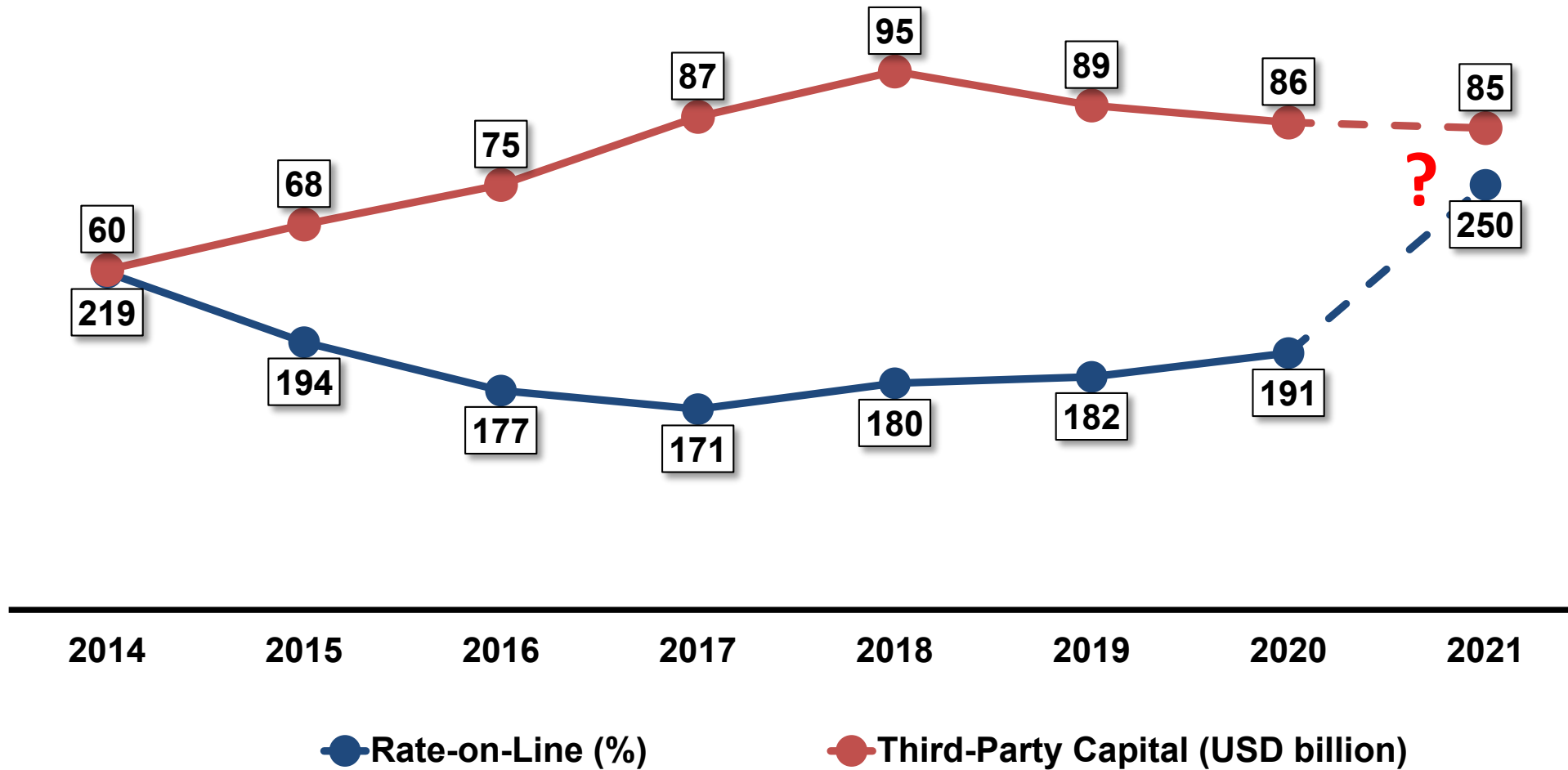


# Global Reinsurance Market Capital

## Capital Utilisation



# Property Catastrophe Rate-on-Line and Third-Party Capital



# COVID-19 – Still an Ongoing Event

Reported losses still behind initial estimates

Wide range of impact on loss ratios  
(business mix and assumptions)

Economic impact added.  
Across all territories and product lines

Affecting both life and P&C,  
on both sides of the balance sheet



# MENA Regional Reinsurance Market Considerations

## BEST'S MARKET SEGMENT REPORT

September 2, 2020

### MENA Reinsurers Strive to Adapt to Testing Conditions

In general, MENA regional reinsurers have demonstrated resilience in a difficult operating environment

Regional reinsurers operating in the Middle East and North Africa (MENA) are no strangers to challenging operating conditions. In recent years, the region's reinsurance market has been characterised by competitive pricing pressures, overcapacity and increased incidence of large losses. In 2020, the fallout from COVID-19 and a volatile oil price environment have added to the challenges faced by local reinsurers.

#### Market Landscape Stabilising

The composition of the region's reinsurance market is beginning to stabilise following turbulence in recent years. The renewal periods in 2019 and 2020 were the first to follow the high profile difficulties faced by Trust International Insurance and Reinsurance Co., and the exit of Arab Insurance Group from the market - formerly two of the region's largest players. Prior to this, the region saw the run-off of a number of local reinsurers, including Asia Capital Retakaful MEA (Bahrain), Emirates Retakaful, and Takaful Re.

Following this shift in regional capacity offerings, cedants restuffed their reinsurance panels, which allowed existing participants to cement their positions and provided others with new opportunities to gain access to market premiums.

Unsurprisingly, given the regional footprint and diversification drive of many MENA reinsurers and international reinsurers' appetite to maintain a presence in the region, reinsurance capacity is plentiful and competition remains high.

Some MENA primary insurers also participate in the local reinsurance market, leveraging their balance sheets and rating levels to write inward facultative business. Despite losses incurred on inward facultative portfolios in recent years, capacity for this business appears readily available and primary carriers' appetite to write this business persists, adding to overall competition. Certain markets, such as Algeria, have structural features to prioritise, or mandate, local reinsurance placements, however, in general the region as a whole remains open, with few reinsurance regulatory restrictions.

#### Strain on Underwriting Performance Persists

In general, MENA regional reinsurers have demonstrated resilience in a difficult operating environment. Aside from strong competition, the region's reinsurers face performance challenges arising from a lack of both scale and diversification when compared with their international competitors. Additionally, they often participate as followers on reinsurance programmes, particularly those outside of their home market, which restricts their ability to dictate terms.

The strategies adopted by MENA reinsurers vary considerably. Certain reinsurers benefit from long-standing legal cessions in their domestic markets, while others focus on providing proportional capacity. Strategic shifts are ongoing, with some looking to increase non-proportional and facultative business, as well as improve regional and international diversification.

**Analytical Contacts:**  
Emily Thompson, London  
Tel: +44 20 7397 0291  
emily.thompson@ambest.com

Alex Rafferty, London  
Tel: +44 20 7397 0312  
alex.rafferty@ambest.com

Catharina Thomas, London  
Tel: +44 20 7397 0281  
catharina.thomas@ambest.com

**Editorial Manager:**  
Richard Banks, London  
Tel: +44 20 7397 0322  
richard.banks@ambest.com

Richard Hayes, London  
Tel: +44 20 7397 0326  
richard.hayes@ambest.com

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Market Landscape

Strained Underwriting Performance

Renewals / Firming Markets

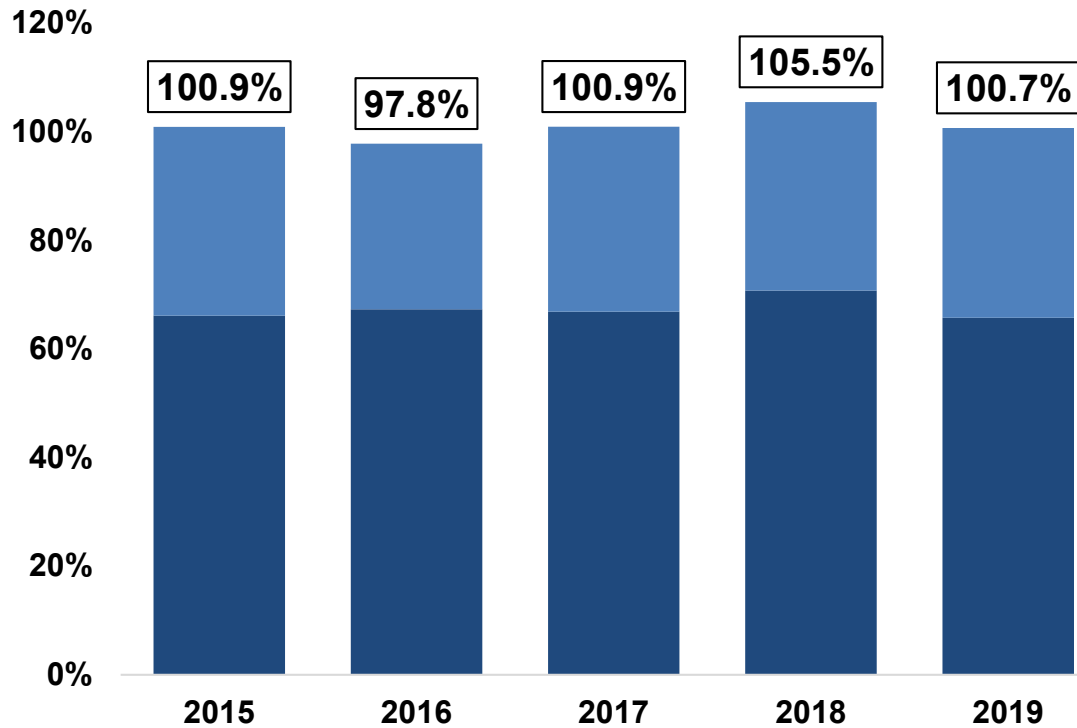
Retakaful

COVID-19 & Oil Price Environment

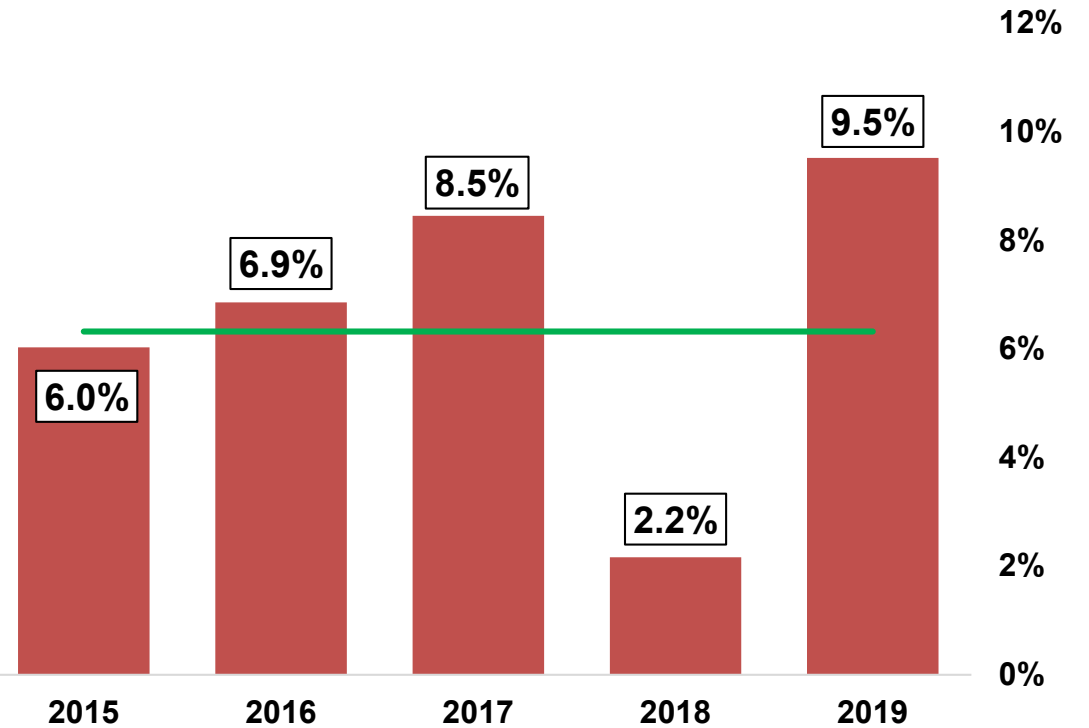
Large / Catastrophe Losses

# MENA Regional Reinsurers Performance

## Non-Life Combined Ratio



## Return on Equity

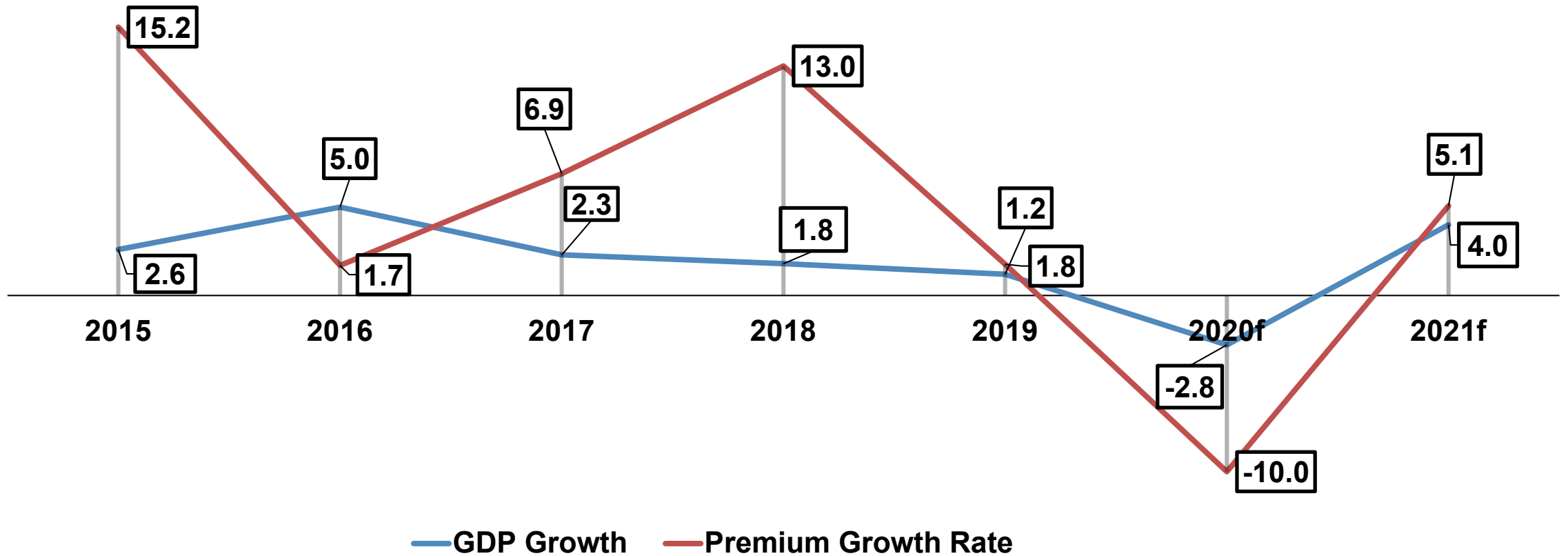


# Insurance Market Trends

Jessica Botelho-Young, CA  
Associate Director, Analytics

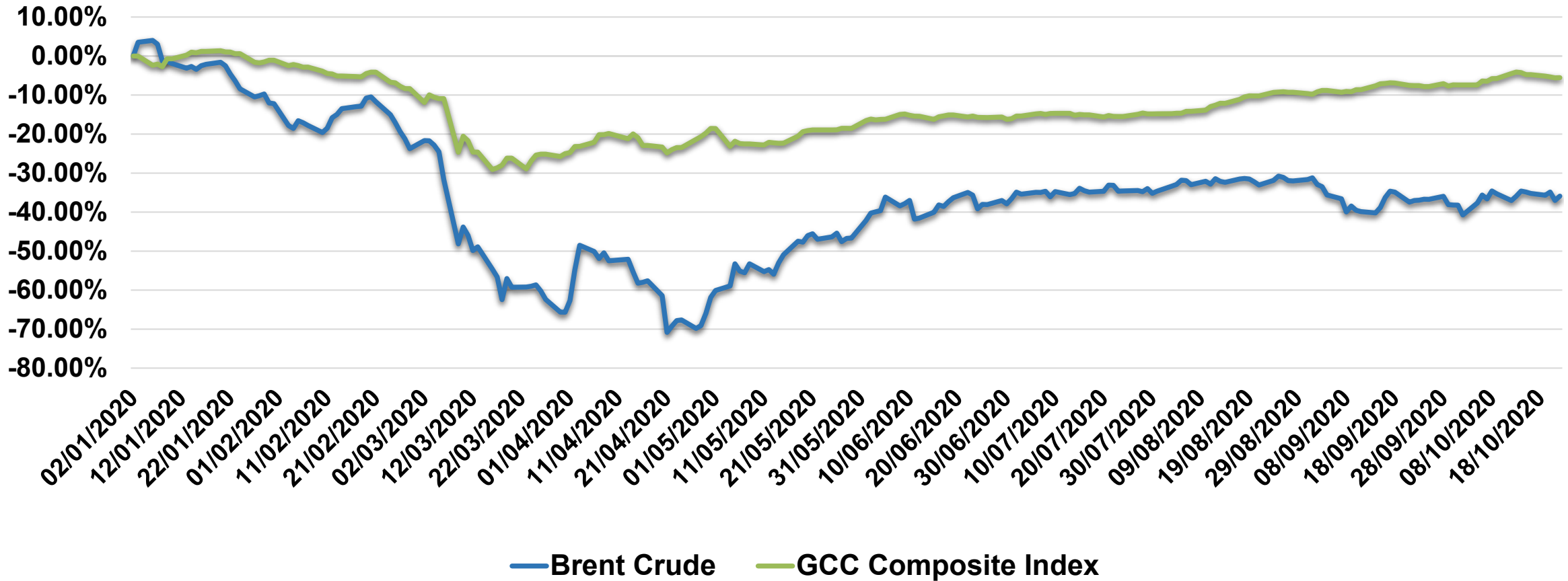
# Global Economic Downturn

## GDP Growth & Premium Growth Rate (%)



# Asset Volatility

## 2020 - Percentage Change Year to Date



# Half Year Results

## United Arab Emirates

Company	Gross Written Premium		
	HY 2020	HY 2019	Change
Orient Insurance	2,559,000	2,253,332	14%
Abu Dhabi National Insurance Co	2,562,340	2,347,922	9%
Oman Insurance Company	2,100,108	2,043,570	3%
Al Ain Ahlia Insurance Company	669,822	615,788	9%
Emirates Insurance Company	608,025	624,725	-3%

Company	Underwriting Income		
	HY 2020	HY 2019	Change
Orient Insurance	291,378	276,112	6%
Abu Dhabi National Insurance Co	276,296	165,438	67%
Oman Insurance Company	206,455	224,996	-8%
Al Ain Ahlia Insurance Company	68,791	58,251	18%
Emirates Insurance Company	97,338	74,325	31%

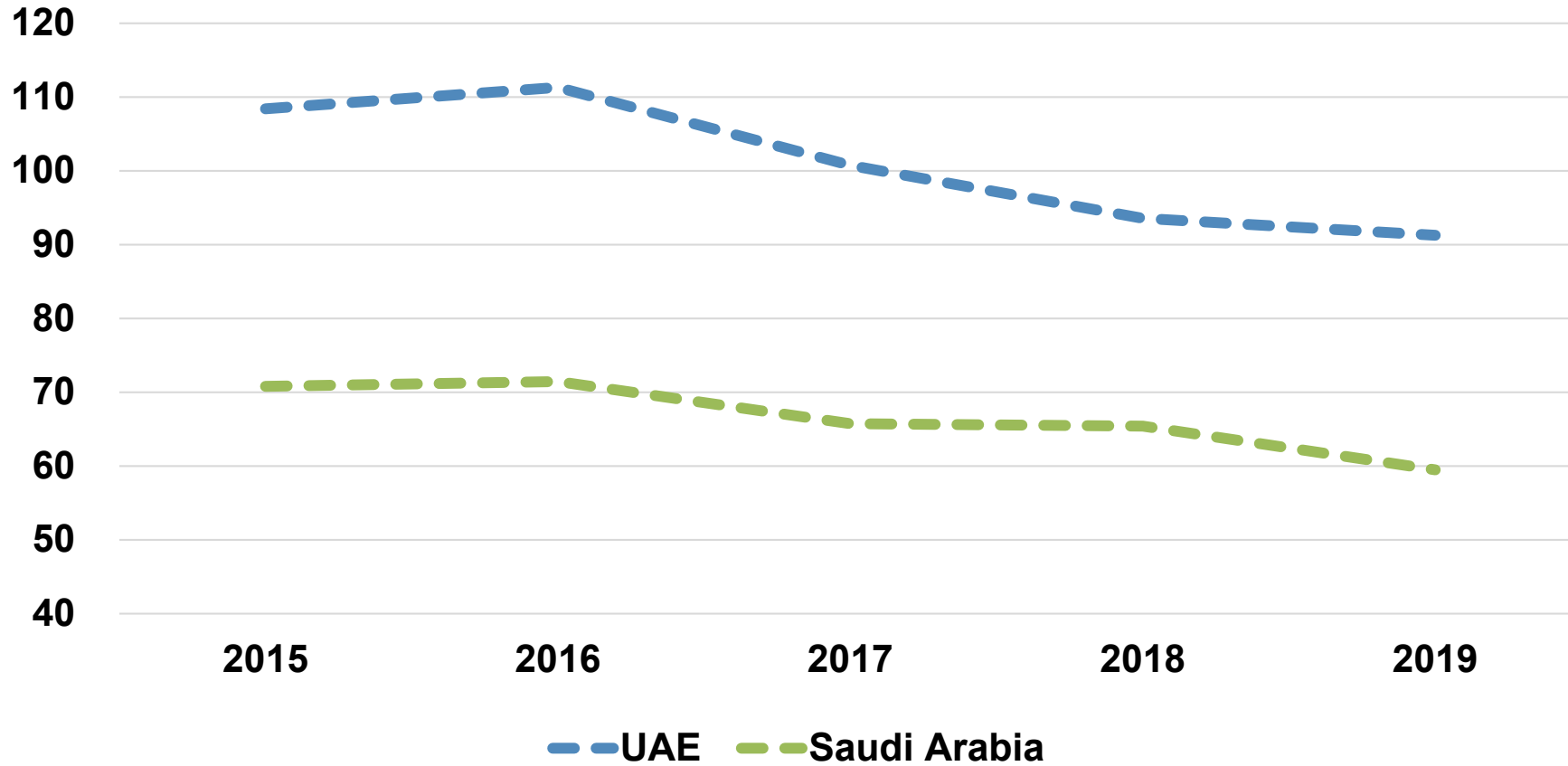
## Kingdom of Saudi Arabia

Company	Gross Written Premium		
	HY 2020	HY 2019	Change
Bupa Arabia	5,713,196	5,344,249	7%
Tawuniya	5,042,534	4,456,547	13%
Al-Rajhi Takaful	1,456,558	1,388,231	5%
Medgulf	1,511,913	1,367,701	11%
AXA Cooperative	811,778	794,919	2%

Company	Underwriting Income		
	HY 2020	HY 2019	Change
Bupa Arabia	960,602	677,687	42%
Tawuniya	547,902	294,896	86%
Al-Rajhi Takaful	273,191	125,043	118%
Medgulf	223,838	138,367	62%
AXA Cooperative	130,175	119,154	9%

# Liquidity & Cash Collection

## Average Debtor Days (2015-2019)



# COVID-19 Impact Update

## Medical

- Coverage exclusions
- Support of reinsurers
- Postponement of elective surgeries

## Motor

- Favourable claims experience
- Premium discounts
- Pricing pressure

## Property, including Business Interruption

- Contamination clauses
- Infrastructure delays

## Trade Credit, including MOHRE Product

- Heightened risk of economic recession
- Government stimulus

## Third-Party Administrators

- Uncollectible balances
- Focus on in-house capabilities

## Contract Wording

- Focus on contract wording & exclusions
- Managing policyholder expectations

## Innovation

- Artificial Intelligence & Digitalisation
- Technology
- Telemedicine

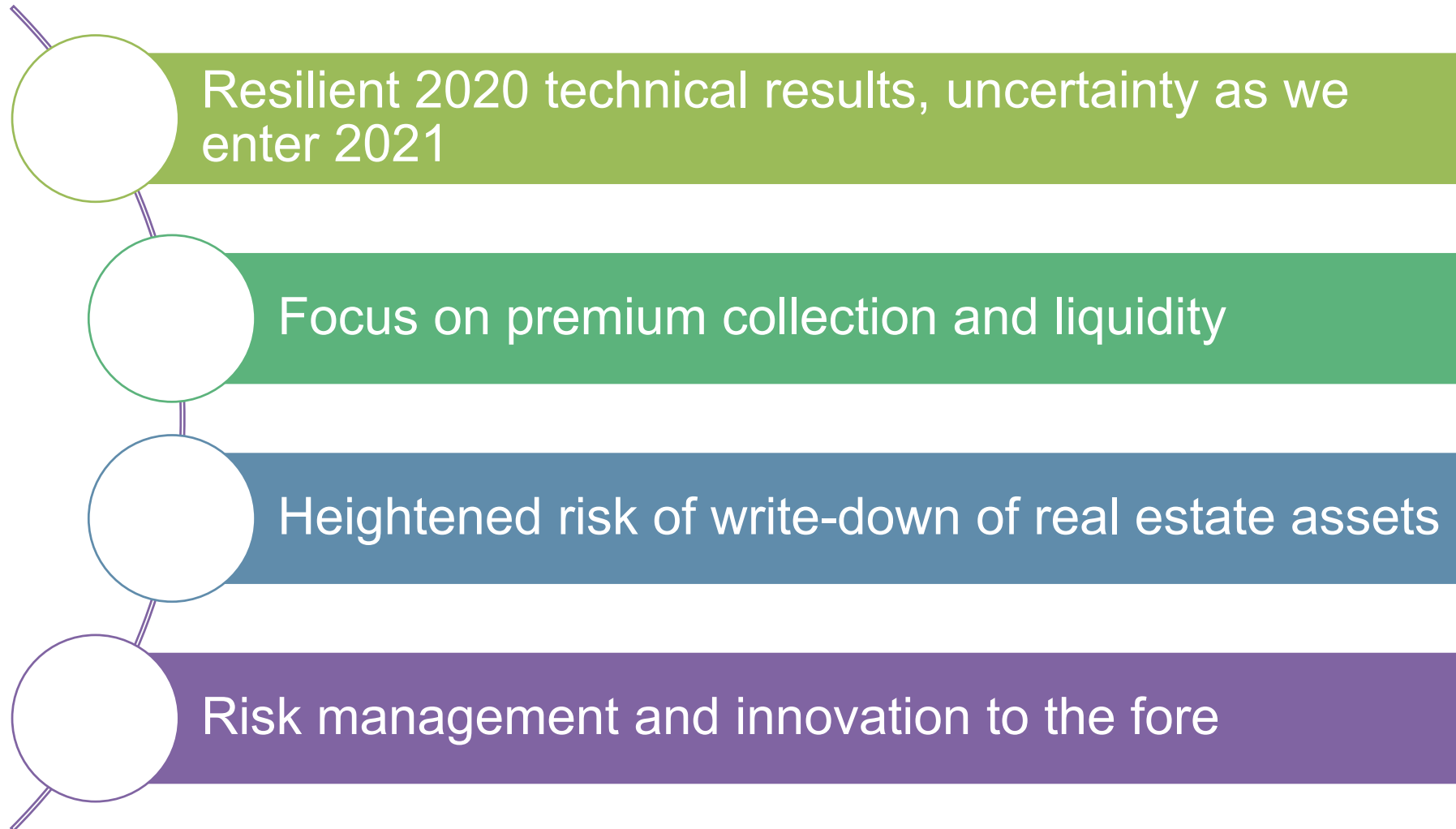
## Enterprise Risk Management

- Business continuity
- Regulatory developments



# Final Takeaways

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# Panel Discussion

# Insurance Market Briefing - MENA