

## CONFERENCE REPORT

# Broader scope of topics covered at Aqaba Conference



Organisers with the winners of the research awards

The 7th Aqaba Conference addressed a broad range of hot topics – from the increasing number of cyber attacks in the region and capitalisation of insurers to the perennial challenges facing takaful operators and more.

By Zuhara Yusoff

The rapid developments the world is witnessing call for agility within the sector, and those who are capable of adopting and adjusting to these developments, especially when it comes to technological advances stand to survive, said chairman of Jordan Insurance Federation (JIF) Majed Smairat at the opening of the 7th Aqaba Conference in Jordan.

This year, the three-day conference, which traditionally covers issues pertaining to marine insurance and transportation, addresses a broader range of topics including conventional vs takaful, Nat CAT exposure, as well as digital integration. Mr Smairat said the discussion around cyber is an attempt to find the best means to benefit from technology to enhance distribution.

Commenting on the Jordanian insurance market, which grew by 2.3% in GWP to around JOD606m (\$854.7m) in 2018, he said there remains much to be done as insurance density stands at only JOD83 with penetration rate hovering around the 2% mark. “The indicators remain below expectations, and we are working with the insurance directorate and other relevant parties to develop new compulsory insurance that would respond to the citizens’ needs,” he said.



Mr Majed Smairat

### GAIF to strengthen infrastructure

Vice chairman of General Arab Insurance Federation (GAIF) Max Zaccar said the federation, with a membership of 350 insurance entities representing 20 countries, is the largest insurance organisation worldwide. The federation is plotting a strategy for the future by focusing on strengthening its infrastructure with greater attention to corporate governance principles.

Mr Zaccar highlighted some pockets of opportunities for the sector, pointing out that the MENA region, along with Africa and Southeast Asia, are growth areas for the global insurance industry in the future. He also said insurers and reinsurers need to be prepared to deal with the challenges facing the future of the industry and to adopt digital transformation strategies to enhance and facilitate insurance distribution.

Touching on regulations, Mr Zaccar urged the respective regulators in the Arab world to update and unify insurance regulations across the region, and



Mr Max Zaccar

to adopt corporate governance and solvency risk-based measures to encourage M&A among GAIF members.

### Growing underground cyber crime market

Speaking on cyber threats and insurance, Liberty UK associate, cyber specialist Zainab Khatib said the biggest weakness in the global cyber insurance market is the lack of understanding of the threats and their accompanying coverage.

Data is the new oil – data has never been so valuable as it is today, she said. “The average cost of a data breach in the MENA region is \$5.3m... These are all insurable costs, but reports have shown that many organisations are not aware that cyber insurance covers data confidentiality breaches.”

Highlighting some trends in the region, Ms Khatib said there has been an increase in ransomware attacks in every single country in the Middle East. Morocco, Bahrain and Kuwait witnessed the largest phishing attacks in 2017/2018 with over 100% increases in occurrence.

She warned that there is a growing underground cyber crime market in the Middle East, and the most popular type of attack at the moment is cyber extortion with threat actors looking at taking down manufacturing processes.

She said cyber insurance is definitely a talking point in the boardroom now and C-suite management is being held accountable. Legislation and education are going to drive the change towards cyber awareness.

### GCC companies are well-capitalised

Speaking on risk and capitalisation of insurers in the MENA region, A.M. Best UAE general manager, market development Vasilis Katsipis said based on 2018 BCAR (Best’s capital adequacy ratio) scores, insurers and reinsurers in the GCC have an abundance of capital – they are much better capitalised than companies in other parts of the world. In fact, every company listed is above the ‘strongest’ threshold bar. Outside the GCC, however, some companies fall below the ‘strongest’ threshold bar – and a few of these are Jordanian players.

Mr Katsipis observed that most companies are spending too much of their capital supporting their investments in equity and real estate. He said, “We have companies that are well capitalised, but they spend their capital mostly on investments rather than on insurance business.” For example, in the UAE, companies spend 33% of their capital on investments, while in Jordan 47% of the capital requirements are driven by investments.

He urged companies to pay more attention to the liquidity of their investments and the quality of assets as “lots of capital are not necessarily used in the smartest way”.

### Takaful challenges continue to plague region

Hannover ReTakaful managing director Mahomed Akoob addressed the challenges facing the takaful and retakaful industry. He said retakaful is operating within a wider reinsurance



Mr Vasilis Katsipis



Mr Mahomed Akoob

### Research awards received positive response

The opening ceremony also saw the presentation of the research awards, organised for the very first time to mark the conference’s 10th anniversary. JIF received 35 research papers – revolving around the theme ‘e-insurance’ – from seven MENA markets.

The first prize went to Mr Sherif M Radwan, insurance consultant, Egypt Investment and Insurance Brokerage, Egypt. The runners-up are: Mrs Eliana Naffaa, reinsurance expert, Jordan; Mrs Azhar Altlla, Al-Aqeelah Takaful Insurance Syria; Mrs Nuha Hijazin, Middle East Insurance Co, Jordan; and Mr Khaldoun Mafarjeh, Tamkeen Palestinian Insurance Co.

The judging panel for the awards included Mr Waseem Zurub, ex-JIF chairman; Dr Ali Al Wazani, ex-JIF chairman and CEO of Arab Orient Insurance, JIF, Jordan; and Mr Basem Haddadeen, insurance consultant and ex-JIF board member.

market and faces the same challenges such as excess capacity. In fact, the market has remained soft despite withdrawal from a number of capacities. Other challenges include price reduction and widening of covers due to excess supply; overall slowdown of economic activities in MENA; socio-political challenges; rigorous regulation especially in terms of increased cost and capital requirements; low insurance penetration rate; and increase in frequency and severity of Nat CATs in the GCC.

When it came to retakaful-specific challenges, he cited factors such as the leakage of takaful contributions to the conventional market; lack of innovation and the different regulations and models used in different markets. He called for a harmonised and unified regulatory environment so that the models can work better.

Technology will also be a game changer for the industry, he said. And for the sector to grow, it needs to tap into the global halal food industry, which is worth \$1.4tn.

### Central Bank of Jordan to regulate market

Mr Wael Mahadeen, director, insurance administration at Jordan’s Ministry of Industry, Trade & Supply said his office is currently preparing to shift the task of regulating the insurance sector to the Central Bank of Jordan. The bill is expected to be approved by parliament before the year is out.

The move will also see new amendments to the present insurance law, which was issued about 20 years ago, he said. Some of the amendments include more focus on strengthening corporate governance standards, as well as creating new funds to protect policyholders’ rights in the case of bankruptcy of an insurance company.

Overall, he said the sector remains attractive as the number of providers has been growing over time. However, more is needed to raise the density level, which stands at around JOD83.

The 7th Aqaba Conference, jointly organised by JIF and GAIF, took place from 15 to 17 April and attracted some 570 delegates. *Middle East Insurance Review* was a media partner. 