POST-EVENT REPORT 2023

DUBAI WORLD INSURANCE CONGRESS 2023

RESILIENCE: NAVIGATING THE STORM TO A BETTER WORLD

HOSTED AND ORGANISED BY:

GR GLOBAL [RE]INSURANCE

DIFC

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Expert view

New talent, technology and addressing climate change will revolutionise the insurance sector.

"Hardening market conditions have had little impact on the insurance and reinsurance sector in Dubai, specifically DIFC where our clients reported a record $2.1bn in gross written premiums in 2022."

The insurance sector has helped protect individuals and businesses to manage risk for centuries now. Additionally, it provides employment opportunities, the sector stimulates innovation, stabilises financial systems and helps societies function by pooling risk.

This is the case even as macroeconomic uncertainties, such as inflation and recession, add to the higher volatility of economies that have stifled the industry in some countries in recent times, exposing them to new and increased risks.

According to AM Best's MENA Insurance Briefing report, the hardening of reinsurance markets is expected to continue due to sustained pricing momentum and better underwriting terms and conditions.

Fortunately, these hardening market conditions have had little impact on the insurance and reinsurance sector in Dubai, specifically DIFC where our clients reported a record $2.1bn in gross written premiums in 2022. This growth is expected to continue.

Talent, technology and climate change are challenges for the industry and themes discussed at the Dubai World Insurance Congress, which DIFC proudly co-hosts with *Global Reinsurance*.

The insurance and reinsurance industry globally needs to attract new talent to its highly skilled workforce. They can bring new ideas and innovative thinking to a sector that has traditionally been slow to adopt technology. Today, this reputation is changing.

For example, on the consumer insurance front, firms are exploring using AI-based cognitive models to generate quotes and modelling usage-based insurance products that are based on the behaviour of customers. If these innovations are accepted by the market, the insurance sector will look different in the future. However, the expectation remains that certain processes and underwriting decisions will still require human intervention, especially for corporate or reinsurance activities.

Other new challenges include the impact of climate change. Incidents of extreme weather events, such as cyclones in Oman and flash floods across the GCC have highlighted the need to create catastrophe risk pools.

The greater emphasis on energy transition and decarbonisation, especially as the UAE prepares to host COP28 later this year, also points towards a shift towards green investments. The rise of green investments and ESG have also created opportunities for the insurance sector to participate in planning for net zero and integrating ESG into their investment processes.

Insurance and reinsurance companies in DIFC are successfully navigating their way through challenges and remain well-placed to capitalise on the opportunities that lie ahead.

DIFC remains at the heart of this dynamic industry change by providing a robust regulatory framework and helping firms manage their set up times and costs. These entities work across multiple areas of insurance, including conventional and Islamic (takaful and retakaful) lines of insurance and reinsurance.

The strong framework and attractive environment are encouraging insurance firms to set up in DIFC and provide individuals and companies a diverse range of insurance products.

DIFC's commitment is to provide a platform, maintain a strong regulatory framework and raise the standards of operations – all of which position it as an attractive location for insurance companies, now and into the future. ■

Salmaan Jaffery, chief business development officer, DIFC

Foreword

DWIC 2023: A diverse and eager delegation and countless insightful discussions are reason to feel optimistic about the year ahead.

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GR GLOBAL [RE]INSURANCE

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The Ritz Carlton DIFC was full to bursting as the Dubai World Insurance Congress (DWIC) 2023 kicked off on 8 March. Now in its sixth year, we welcomed over 1,100 delegates from more countries and regions than ever before. For the industry, DWIC is cementing itself as an important date in the industry's calendar, on a par with insurance and reinsurance industry meetings like the Rendez-Vous in Monte Carlo, the Baden-Baden Reinsurance Meeting in Germany, and SIRC in Singapore.

The sheer energy and desire to meet with contemporaries face to face was evident from the moment the doors opened until they closed on the Thursday afternoon.

Opening the conference, Alya Al Zarouni, chief operating officer, Dubai International Financial Centre (DIFC), noted that it was also International Women's Day, recognising the diversity evident on the stage, and welcoming keynote speaker Dame Susan Rice, chair of the Global Ethical Finance Initiative (GEFI) Global Steering Group.

Such was the eagerness to begin that delegates were happy to hold muted discussions in a darkened conference room as the keynote speeches and panel discussions took place on the main stage.

Salmaan Jaffery, chief development officer at the DIFC Authority, applauded those gathered, gesturing to those assembled and describing delegates as a reason for the industry to be optimistic about the year ahead.

There are many challenging headwinds for industry practitioners, including risks relating to the macro-economic environment, a hardening reinsurance market and geopolitical tensions. For the region, the catastrophic earthquakes in Turkey and Syria were naturally top of mind.

But Jerome Jean Haegeli, group chief economist, Swiss Re Institute, also saw some green shoots ahead. In his keynote, he said the possibility of a soft landing economically had increased in many parts of the world.

In addition to the impressive networking that took place over the two days, DWIC 2023 hosted a panel discussion on the main stage and eight break-out discussions and roundtables. The themes were broad and diverse, ranging from underwriting and skills to sustainability and healthcare.

This report includes highlights from all of these conversations, which were attended by some of most respected thinkers within the global re/insurance space and beyond.

Global Reinsurance is extremely grateful for their contribution, insights and willingness to participate on topics that force us to examine how we do business, and question how we could do it differently. Most of all we are grateful to the DIFC for their support and role in hosting the region's largest and most successful insurance meeting.

No doubt 2023 will hold more curveballs as we approach key renewal dates. But as the second quarter draws to a close, we will be riding high on the energy, ideas and networks that were forged and consolidated during DWIC 2023. ■

Helen Yates
editor, *Global Reinsurance*

Extreme Event Solutions

Helping Companies Manage
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Manage your exposure to earthquakes with the Verisk Middle East Earthquake Model

The World Bank estimates that GDP in the Middle East will grow by 3.5% in 2023. This increase, coupled with the region's rapid growth and development, makes exposure to earthquake risk of special concern for the (re)insurance industry.

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Available in 100k and 10k optimized event catalogs, the Verisk Middle East Earthquake model accounts for hazards caused by tectonic seismicity as well as induced seismicity. The model covers damage from ground shaking and liquefaction, providing a comprehensive view of earthquake risk.

Model Coverage Area:

- Bahrain
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- Qatar
- Saudi Arabia
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The Verisk Middle East Earthquake Model leverages high-resolution exposure data covering residential, commercial, industrial, and auto. It supports buildings of all height classes, explicitly accounting for tall buildings, and also provides coverage for marine cargo, fine art and specie, infrastructure, and large industrial facilities.

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More than 400 organizations rely on Verisk's models, software, consulting, and services to manage their risk from natural catastrophes, terrorism, supply chain disruptions, and pandemics. The addition of Verisk's Middle East Earthquake model expands Verisk's earthquake model coverage to include more than 90 countries across six continents and further cements Verisk's position as a pioneer in catastrophe modeling.

Learn More About Catastrophe Modeling

Contact us to learn more: APACsales@verisk.com

DIFC's Alya Al Zarouni opens DWIC 2023

Global Reinsurance and the Dubai International Financial Centre brought together over 1,100 insurance leaders from 60 countries for the sixth annual Dubai World Insurance Congress.

DWIC 2023 was held under the theme 'Resilience: Navigating the Storm to a Better World,' and took place on 8 and 9 March 2023 at the Ritz-Carlton DIFC.

The Congress is the largest event of its kind in the region, offering unprecedented networking opportunities and thought leadership under one roof.

The event tackled key issues, such as supporting economic growth, attracting talent to the insurance industry, embracing technology and supporting climate change and decarbonisation initiatives.

A distinguished line-up of speakers included Dame Susan Rice, chair of the Global Ethical Finance Initiative (GEFI)'s Global Steering Group.

As one of the world's most influential female bankers of the last three decades, Rice provided unique perspectives on the insurance sector and the wider finance industry.

> **"We are looking forward to advancing discussions on issues such as talent, technology and climate change, to create a more resilient future for the industry."**
>
> **ALYA AL ZAROUNI**, CHIEF OPERATING OFFICER, DIFC

The Dame invited the insurance industry to play their role in addressing the challenges presented by climate change ahead of COP28 being held in Dubai, as part of GEFI and DIFC's Path to COP28 programme.

Alya Al Zarouni, chief operating officer at DIFC, said: "DIFC is the driving force behind the region's insurance and reinsurance market and therefore the most credible co-host of the Dubai World Insurance Congress."

"We are delighted to welcome an impressive roster of insurance leaders to the Dubai World Insurance Congress. This year, we are looking forward to advancing discussions on issues such as talent, technology and climate change, to create a more resilient future for the industry."

DIFC has co-hosted the Dubai World Insurance Congress with *Global Reinsurance* since it was established in 2017. Since then, the event has doubled in size and attracted the attention of the industry's most influential professionals from an increasingly international audience. ■

Cause for optimism

Despite choppy environmental, economic and geopolitical conditions, there are green shoots of opportunities for the industry. This was the positive message from the morning panel discussion at Day One's panel 'A View From the Top'.

PANELLISTS
CHAIR Helen Yates, editor, *Global Reinsurance*
Mike Reynolds, group CEO, Oneglobal Broking
David Flandro, head of industry analysis and strategic advisory, Howden Tiger
Jasmin Fichte, managing partner, Fitche & Co
Salmaan Jaffery, chief business development officer, DIFC Authority
Peter Englund, head of commercial insurance Middle East, Zurich

The industry has been hit with record catastrophe losses in the past decade, the impacts of COVID, inflation, interest rates and war in Ukraine, but the panel still believed there was cause to be upbeat.

Despite these external factors, the industry should be looking at the opportunities instead. "Good underwriters and good brokers will come with solutions to the issues we face," said one panellist.

"Where the market is challenged around capacity, around terms and conditions, around coverage in certain areas, such as cyber – these aspects are all opportunities for those underwriters and brokers to come up with a solution."

By taking an approach that is "consistently optimistic", such problems instead become a means to discovering new opportunities and providing offerings around them.

EMERGING MARKETS

One area of potential growth identified was emerging markets, with one panellist saying Asia and South America are not the only growth markets, referring to DWIC's affluent host location itself.

> **"We are on the cusp of a new data revolution right now. The implementation of AI into our processes could be like the introduction of the internet the 1990s."**

"Dubai is an emerging market when it comes to the insurance industry. Over recent decades, not much has changed on that front here. It is still a closed market in Dubai, so the UAE is an emerging market in this sense and there are several opportunities for growth here," the panellist said.

The panellist added that it is too difficult for many companies to expand into countries like India, Indonesia, the Philippines, or some African nations. However, it is possible to join forces and create partnerships in certain emerging markets instead.

DATA REVOLUTION

Another panellist drew attention the potential of data to aid the industry's growth. They pointed to ChatGPT – an AI chatbot.

"Did you know that I can now programme in Python? I can go to ChatGPT, tell it that I have four columns of data and ask it to write the code for me. I have the data programming skills of a 25-year-old now," the panellist said.

"The world around us is changing and it is changing quite rapidly. We are on the cusp of a new data revolution right now. The implementation of AI into our processes could be like the introduction of the internet the 1990s." ■

Spotlight on skills and talent

Following the DIFC's Talent Week, a panel discussed the skills gap and how to close it, as well as the need to tackle persistent gender inequality in the industry.

In addressing the skills gap facing the insurance industry around the world, insurers and brokers must first embrace the shift that has occurred since the global pandemic. This was according to the experts speaking at the panel entitled 'How Can the Industry Attract and Retain the Skills and Talent It Needs' on Day One.

"Since COVID, people are looking to have a different work profile," observed one speaker, noting there was a big difference between the approach within the DIFC and the onshore insurance market.

While the companies within the DIFC have embraced practice such as hybrid working, local firms are more old-fashioned in their approach.

"In the DIFC we have a role in changing some of these established attitudes," they said, revealing the Centre has set up a mentoring program to share international best practice with local markets.

THINK LOCAL, ACT GLOBAL

Despite the ease of attracting expats into regional positions – or attempting to write the business from elsewhere – local and cultural understanding of the region remains essential.

"You don't 'dabble' in any market," said one panellist. "You have to commit to the Middle East or you don't do much at all. It's a big challenge. People always want talent with knowledge of the region as it's a key success factor."

Among other things, the panel discussed how the industry can attract and retain the skills and talent it needs by inspiring rising professionals and fostering more diverse and inclusive cultures.

Rising professionals are looking for more than competitive remuneration packages. Younger generations in particular want to work with organisations that offer inclusive cultures and have strong ESG credentials.

> **"The shortage of female talent is infuriating. Certain jobs are still seen as being 'male' and that's not just a cultural thing [within the GCC], it's an industry thing."**

IMPORTANCE OF DE&I

Diversity of skill sets is becoming more important as the industry evolves, with greater demand for chief risk, actuarial and sustainability officers among other roles.

Technology is also changing the way we work, but it is not replacing the human touch or the importance of relationships within the business, they thought.

"There's a temptation to think that hubs like the DIFC don't matter anymore because there's so much technology – it's a commodity allowing us to communicate and connect," said one expert.

"But personal networks are becoming even more important because they are now our differentiator."

Speaking on International Women's Day, the panellists acknowledged there is still a lack of gender diversity within the sector, an issue that is not unique to local markets, or even the insurance industry.

While some sectors, such as HR, have a larger ratio of women to men, this drops off the higher up you go in the organisation. It is a complex issue that will require progressive attitudes from employers around flexible working, returner programs and paternal leave if it is to improve.

"The shortage of female talent is infuriating," said one panellist. "Certain jobs are still seen as being 'male' and that's not just a cultural thing [within the GCC], it's an industry thing."

"In the London and Lloyd's market, I know of just two CUOs who are women. The talent is there, it just needs to be developed." ■

PANELLISTS
CHAIR Gracita Aoa-de Gracia, assistant vice-president, insurance and reinsurance, DIFC Authority
Simon Price, chief executive, DIFC Insurance Association
Andy Woodward, regional head, Middle East & Turkey, Lloyd's
Brad Boyson, co-founder, HR Learn In

Caught out by the hard market

A Day Two roundtable on underwriting discussed the impact of hardening reinsurance rates and new technology.

The roundtable on Day Two, titled 'Underwriting: The challenges and opportunities', was chaired by industry veteran Yassir Albaharna Group CEO & Executive Director, Trust Re.

DAYS OF 'FREE CAPITAL' ARE OVER

The first challenge discussed was how to maintain underwriting discipline moving forward. One panellist said the key to achieving this was consistency across the board, rather than focusing too deeply on individual risks.

"The important thing," he said, "is to design and build the portfolio and that should be priced consistently."

"It's never the right price when a claim happens," quipped an underwriter.

In reality, the majority of carriers follow the market when it comes

> **"If we don't [follow the market on pricing], it isn't a class of business we should be in. The reality is there's no true technical pricing. It's all about what the market dictates."**

ROUNDTABLE PARTICIPANTS

CHAIR Yassir Albaharna, group CEO & executive director, Trust Re

Tareq Hussein, head of specialty lines, Mena Re Underwriters

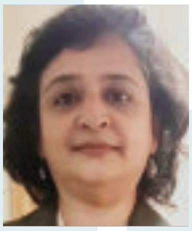
Deyaa El Sawy, senior director, Chedid Reinsurance

Dermot Dick, head of energy, Oneglobal Broking

Peter Burton, executive director, international markets, QBE UK

Steven Wallace, managing director for UK & Ireland, McLarens

Souvik Goswami, director, reinsurance, Tysers Insurance Brokers



Lavanya Mundayur, chief operating officer, The New India Assurance Co.

Evelyne Wanjohi, associate general manager, Acentria International Reinsurance Company

Mohamed Kotb, managing director, treaty division, United Insurance Brokers to pricing, acknowledged the speakers. “If we don’t, it isn’t a class of business we should be in,” said one. “The reality is there’s no true technical pricing. It’s all about what the market dictates.”

ART OR SCIENCE?

Underwriters should not rely too much on their pricing models, thought some. For specialty and reinsurance classes of business, there is still an ‘art’ to underwriting that comes with long experience, instinct and relationships.

One thought the art of underwriting was getting lost a nd jeopardising long-standing relationships between cedants and reinsurers in the process. “Are you an underwriter or an under-rater?” he asked.

After many years of a soft market in the GCC and wider region, the lack of “soft and almost free capital” may come as a shock to the underlying market, thought some speakers.

The reinsurance market is hardening globally, with less capacity available, pricing up considerably and terms and conditions tightening.

“The retrocession market is hardening and what we see on the retail side is a huge gap,” commented a local insurance executive.

“Companies are not up to speed on what’s happening in the international markets and they are getting caught out.”

“There’s a huge gap between insurance pricing and reinsurance.”

POTENTIAL USES OF AI

One speaker said AI will have a direct impact on the underwriting of claims and also the likelihood of those claims.

“I am most interested to see the impact AI will have on risk mitigation, stopping the claim from happening to begin with and the impact that will have on the price,” said the speaker.

“In a perfect world we would like to develop an AI that will ultimately drive the pricing down on the premiums, too. This will be the main advantage to the industry as a whole.”

Another speaker said that while conversations have started about using AI, they are still largely inclined towards using underwriting professionals to guide on its pricing for claims.

> **“How can AI know whether to accept a risk or not accept a risk? Insurance will always be a combination of art and science – and getting that balance right is what counts.”**

HUMAN-DRIVEN

One speaker noted that despite its uses, AI “does not drop from above”, as it is still created to act in a certain way by humans.

“AI is ultimately somebody’s brain who was thinking about and creating formulas. It is human intelligence put into a system and being sold as AI. It is my intelligence. I have created the formula,” said the speaker.

“How can AI know whether to accept a risk or not accept a risk? Insurance will always be a combination of art and science – and getting that balance right is what counts.”

In reply to this point, another speaker noted that AI in insurance is not being designed as a risk decision-maker, but rather to aid in the decision-making process.

“Even the human brain has limitations. An AI is able to simulate effects within microseconds or nanoseconds of all the experiences and all the losses that happened all over the years. It can then aid you in a decision. It enables you to see patterns, which is difficult for the human brain.”

TECHNO-LAGGING

While AI emanates as a major technology buzzword, the roundtable spoke more broadly about the opportunity with technology, and at times the industry’s failings.

“I have been in underwriting for 40 years and at this stage of my career I am not a huge fan of technology, but our inability as an industry to adopt proper modern technology and upgrade our systems to do a better job this is quite frankly disgraceful,” said the speaker.

“In my market, before we start messing around with AI, we need proper electronic trading. We need contract certainty. Let’s get documentations done automatically. We have a lot to do in our industry to make ourselves more efficient and do a better job for all of our clients.”

However, another speaker warned: “The technology piece is quite fascinating because in my organisation, we talk an awful lot about technology.”

“Yet, I have yet to see the introduction of any technology that actually makes us more efficient, or made the underwriter’s job easier, or replaced a person’s job.”

“The answer is we have to evolve. We have to embrace technology, b ut whatever we are doing at the moment in the industry is not landing properly yet.” ■

Time for emerging markets to shine

A dearth of cheap and plentiful reinsurance capacity could force emerging insurance markets to mature more rapidly.

The retrenchment of capacity from international insurance and reinsurance carriers could be a pivotal move for some emerging markets, helping to drive consolidation and greater risk retention. This was according to panellists speaking on panel 'Looking to Emerging Markets'.

The speakers noted that a combination of factors in recent years had led international carriers to reduce their presence in emerging markets to refocus on 'core regions'.

The soft re/insurance market of recent years has not helped. "The GCC is one example," said one panellists. "Ten years ago, they were coming in droves. Now international insurers are taking the view that it is too much hassle for too little benefit."

And while once there were plenty of alternatives, many of these tier two, regional capacity providers have disappeared.

In the absence of plentiful, cheap reinsurance protection (with the added dynamic of rate hardening in the international markets), this could force a change in local markets still characterised by having many smaller insurers that tend to cede on most of the risks they underwrite.

It could help drive M&A activity and a more sophisticated, risk-based approach to the business. The process is likely to be aided by increased regulatory requirements, although there is still some 'inertia' in some markets, noted one speaker.

THE ENGINE OF GLOBAL GROWTH

Meanwhile, the growth prospects for many emerging markets are bullish in the post-pandemic environment. One speaker said emerging markets would be the engine of global insurance growth moving forward.

Among the key ingredients for insurance growth in emerging markets are strong economic growth trends, demographic trends – with a sizable young working population, and growing middle class – and significant investment in infrastructure and development.

In Africa, around 60% of the population is below the age of 25, said one of the panellists. This is a generation that has a better financial literacy, who is "more receptive to change" and understand sthe benefits of insurance protection.

And although economic growth has slowed – unlike many Western markets – it has continued despite the challenges posed by the pandemic and financial markets.

CLOSING THE PROTECTION GAP

Attitudes towards the need for insurance have also evolved since the pandemic, helping to drive demand for cover and improve insurance penetration in underserved markets.

"The pandemic has provided an opportunity for the industry to provide solutions," said a panellist. "People have come to realise the significance of insurance and we can see the protection gap narrowing."

The introduction of compulsory covers can help drive a market's development, but is not a long-term solution, thought one speaker. Otherwise, it can be seen as just another 'tax' on individuals to the benefit of insurers. ■

PANELLISTS
CHAIR Trevor Treharne, APAC editor, *Global Reinsurance*
Vasilis Katsipis, general manager, market development, MENA South and Central Asia, AM Best
Simon Richardson, vice-president, EMEA and APAC, Equisoft
Webster Twaambo, managing director, Klapton Re Zambia

'Be part of the climate conversation,' delegates urged

With COP28 heading to the city in November, DWIC opened with a rallying cry for the industry to focus on the climate and sustainability, and a firm warning to avoid greenwashing.

With a focus on Dubai ahead of COP28 later this year, delegates were told in the opening addresses that the insurance industry must "be part of the climate conversation".

"Climate, and sustainability more generally, are now becoming a core part of how organisations work and how their people make decisions," said Dame Rice.

"Insurers are financially on the frontline of climate risks. As such, they have a strong desire to improve climate resilience, both to aid business and from a societal point of view."

Dame Rice stated that despite this focus, the elements of climate change that can be covered by insurance is an issue that means that many communities are still physically and economically vulnerable to the impacts of climate change.

"We witnessed this in Pakistan during last year's devastating floods. This was a humanitarian catastrophe with $50bn of damage, of which only $100m was insured."

GREENWASHING WARNING

While the insurance industry should be focused on the climate, it must be meaningful action, not just 'greenwashing', where corporate spin misleads the public into believing a company's offerings are environmentally friendly.

"The industry faces the very real risks of greenwashing. This is a very serious issue. Unless the industry comes together to combat false, inflated or misleading claims, we risk losing trust and we cannot afford that as an industry," said Dame Rice.

"We need to make sure that the labels we give our products stand up to challenge and be understood. Many in the industry might not even know they are greenwashing, so we must come together as an industry to stop it."

DAME SUSAN RICE, CHAIR, GEFI GLOBAL STEERING GROUP

"We need to make sure that the labels we give our products can stand up to challenge and be understood. Many in the industry might not even know they are greenwashing, so we must come together as an industry to stop it."

GETTING THE CULTURE RIGHT

Delegates heard that a vital part of battling climate change and acting sustainably is having the right organisational culture.

"Culture is sometimes defined as how we behave when no one is looking, but that is not right," she continued. "Culture is about how we behave when everyone is looking."

"Culture reflects what is admired and that is what guides our actions in our organisations. When we consider climate and sustainability, we cannot afford to appear to be achieving our strategy and not actually doing so."

She said that culture can be

difficult for an organisation to measure, but there are aspects you can measure which assess the culture of an organisation. This has led to data analytics and behavioural science now being used to assess the culture of financial institutions in novel ways.

ECONOMIC IMPACTS

Discussing the economic implications of climate change for the industry, Jerome Jean Haegeli, group chief economist at the Swiss Re Institute, highlighted the consequences of inaction. "Global economic activity could be up to 10% lower by mid-century if global warming stays on its current trajectory, rather than adhering to the Paris Protocol," he said.

"For this region, climate change is affecting the Middle East more severely and no action is not an option. The region has begun to act on mitigating climate risks and that must continue."

Haegeli added that such aims must be achieved in the context on rising inflation and interest rates, debt and geopolitical tensions including the war in Ukraine.

"We can expect more tightening to come and the possibility of a mild recession in the US. However, there is some reason for optimism and the possibility of a soft landing economically has increased," Haegeli added. ■

> **"Climate change is affecting the Middle East more severely and no action is not an option. The region has begun to act on mitigating climate risks and that must continue."**
>
> **JEROME JEAN HAEGELI**, GROUP CHIEF ECONOMIST, SWISS RE INSTITUTE

OPENING ADDRESSES
Alya Al Zarouni, chief operating officer, DIFC
Dame Susan Rice, chair, GEFI Global Steering Group
Jerome Jean Haegeli, group chief economist, Swiss Re Institute

Insurers on the frontline in the climate crisis

The insurance industry must "drive the pathway to net zero" with incentives, explained DIFC's Christian Kunz in a fireside chat with Dame Rice.

The finance sector needs to drive capital towards climate solutions. During a fireside chat with Dame Susan Rice, chair of the GEFI Global Steering Group, Christian Kunz, chief strategy, innovation and ventures officer at the DIFC, explored how innovation on products and ways of doing business can help finance the economy of the future.

As the UAE gears up to host this year's COP28 meeting in Dubai, Kunz began by asking Dame Rice for her takeaways from last year's COP27 in Egypt.

She said there had been a big focus on loss and damage as well as the inequalities between the 'global north' and 'global south'.

There is a feeling that while the industrialised north is seen to have created the greenhouse issues that are contributing to a changing climate, the financial support promised to nations most exposed to the ravages of climate change have not materialised.

She noted the opening speech at last year's COP had described the climate state of emergency as a "pathway to climate hell" and said there was a much greater sense of urgency around the need for action.

"We're not going to solve these problems unless we pay attention to the entire world," she said. "We've left that urgency on the table."

COMING OUT IN FORCE

On a more positive note, COP27 was the first time that financial institutions had come out "in force" and attended a COP. "We need to hear more from financial institutions," said Dame Rice. "What everyone is doing to make this work and what we should look for from the upcoming COP."

We also need access to better data, but it has to be "good and honest data", which is independently validated. There must be more honesty between all stakeholders to avoid 'greenwashing'.

The creation of sustainable taxonomies is important, added Dame Rice. There are too many different interpretations, and we need clearer wordings and benchmarks to measure progress and to "talk to each other properly".

Such definitions can help everyone in the organisation better understand why sustainability is important.

"Businesses are driven by people," she said. "We need to train everyone to understand what this new world is about and what sustainability really means."

"Organisational culture is really important. We need to make sure sustainability is admired."

Another important enabler of the climate transition is innovation. "Innovation in finance is happening in spite of us," said Dame Rice. "The democratisation of finance widens access and deepens the activities people are involved in."

A ROLE FOR INSURANCE

Inevitably the transition to net zero involves new technologies, which bring with them new and emerging risks. The use of solar panels is becoming more widespread in various parts of the world, as one example, but that can impact fire risk. The insurance industry "will need to help us understand and balance that pressure", said Dame Rice.

The insurance industry is in many ways on the frontline when it comes to influencing how we tackle the climate crisis, she thought. Insurers have the "ability to influence and force change," and she urged the industry to be "more front and centre as an industry".

Kunz pointed out that it was not possible for insurers to suddenly withdraw coverage for clients that are heavy emitters. Instead, the industry must "drive the pathway to net zero" by incentivising its insureds to make clear progress on their own sustainability journeys. ■

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Middle East facing unique catastrophe challenge

Gas and oil activity linked to increased earthquake risk across the region.

High-value infrastructure and a complex tectonic setting means the Middle East is especially susceptible to large losses and major catastrophes.

That was a major insights from breakout session 'The importance of earthquake catastrophe risk assessment in the Middle East'. Featuring insights from Verisk senior principal engineer Dr Arash Nasseri, delegates were provided insights on how the Middle East is facing earthquake risk specific to the region's unique make-up.

Using catastrophe modelling on earthquakes in the region, it was discovered that earthquakes are less frequent, but the impacts in the region are often larger with several aftershocks.

TECTONIC SETTING

"The Middle East is in a complex tectonic setting, with several Category 7 and higher events, especially in the northern part of the region," Nasseri told delegates. "Due to the tectonic plate boundaries in the region, there is heightened activity around the Red Sea and the Gulf of Aden, and this has resulted in a lot of activity happening in certain parts of Iran."

This setting also means the region endures widespread aftershocks and building shaking. Kuwait, Bahrain, Qatar, UAE and Saudi Arabia can feel strong shaking from events elsewhere in the region, including from incidents at far-away locations.

CAPITAL AT RISK

The success and affluence of the region also means there is the potential for high value losses, with large and expensively constructed infrastructure at risk.

"There is large exposure accumulation across the region, underscoring the need for catastrophe modelling," said Nasseri. "However, for large magnitude events there is often not enough data. As such, when it comes to modelling, historical data is supplemented with fault models and strain rate data."

The region has a highly active gas and oil industry – one of the primary sources of the region's success – but this is causing an increased risk of earthquake events.

"There has been increased seismicity observed near oil and gas field in Kuwait, with the modeling showing an increased risk of hazards in these areas as a result," he said.

Self-constructed islands, popular across the region, have the potential for high-value exposures and are prone to liquefaction – which occurs when loosely packed sediments lose their strength in response to strong ground shaking.

> **"The protection gap for countries in the Middle East is around 60%. That is based on insured losses, so does not cover the true economic loss."**
>
> **DR ARASH NASSERI**, SENIOR PRINCIPAL ENGINEER, VERISK

UNDERINSURED

Despite the economic successes of the region, underinsurance remains an major issue. Across several countries, there is a sizable earthquake protection gap.

"The protection gap for countries in the Middle East is around 60%. That is based on insured losses, so does not cover the true economic loss, meaning that 60% gap would be even higher. While this is an issue for those countries currently, it also provides an opportunity for the insurance industry to expand in this region," Nasseri said. ■

Health insurance space is fit and well

COVID-driven awareness, population shifts and technological enhancements are keeping health insurance market optimistic. A Day Two roundtable discussed the impacts of the pandemic and the use of tele-medicine to gatekeep early treatment.

> **"The COVID-19 pandemic has raised awareness of the need for private healthcare. It shocked many markets by showing how quickly public health systems get overwhelmed."**

The health insurance space is an "automatically" growing market due to various external factors driving adoption, according to a Day Two roundtable discussion.

"Health is an industry that is automatically growing right now," said one speaker. "This is because society is growing and also aging, so the industry does not need to worry about growth."

Another panellist noted that the expansion of the middles classes in several countries across the global also presents a growth opportunity for the health insurance industry.

"There is also a very large expat movement – especially in places such as here in Dubai – where people have disposable incomes and require their own health coverage."

FROM SICK CARE TO HEALTH CARE

One panellist noted that the current health landscape is one filled with a vast "disease burden", taking place across various ailments.

"For many emerging countries, these are the typical ones – diabetes, hypertension, cardiovascular issues," the speaker said. "The opportunity is there, but how do we move from sick care to healthcare? It is a cliché, but how do you make that happen? There is preventive care that can be done, which is a large opportunity [for the health insurance industry]."

One panellist stated that the expansion of data has made healthcare more predictable: "We are equipped to predict things much earlier and that makes preventive much more possible."

Another panellist stated that 80% of healthcare problems can be solved by a GP and there is no requirement to visit a specialist: "Solving that problem can be achieved with a hybrid model where we use more technology."

It was highlighted by the panel that medical technology today enables the remote monitoring of patients, including having early warning systems if there are any problems.

"Technology cannot replace the personal touch of seeing a doctor you have known for many years. However, technology and data can be combined to create a magic solution where you retain that personal touch, but technology is used so people are more proactive than reactive [about their health]," said a speaker.

COVID IMPACTS

While the COVID pandemic was greatly disruptive to several elements of the health insurance space, it has also opened up new possibilities.

"The COVID-19 pandemic has raised awareness of the need for private healthcare," said one speaker. "It shocked many markets by showing how quickly public health systems get overwhelmed."

Another panellist said COVID-19 had led the industry down a new technological path and made people more comfortable with virtual meetings. "We all spent time during COVID on the likes of Teams and Zoom. This has created a new play for technology companies, some of which will be funded by insurance. There has been big funding of new start-ups [in this space]," the panellist said.

"In Germany, there are tele-medicine services now, which have helped with gatekeeping at the beginning [of treatment]. This ensures there is some steering and not just a random consumption of health services."

FIGHTING MEDICAL INFLATION

One panelist stated that "we should all be very worried about the ongoing medical inflation". "Medical inflation in most markets around the world is around two to three points above general inflation every year – year after year. So inevitably, the products become less affordable."

"Look at the case in the US, which spends around 18% of GDP on healthcare and the products are terrible. There are super high deductibles, low coverage and it is still very expensive."

The panellist said that one solution is people avoiding hospitals. Many mature markets have had a hospital-centric healthcare model since the 1950s, but "we need to be more focused on primary care and on gatekeeping [care] through tele-medicine [consultations]," they added.

YOUNG AND DEVELOPING

Among the various opportunities in health, demographic shifts are also presenting their fair share of challenges.

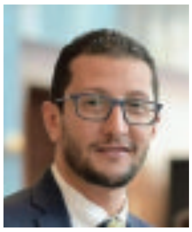
> **"In Germany, there are tele-medicine services now, which have helped with gatekeeping at the beginning [of treatment]. This ensures there is some steering and not just a random consumption of health services."**

One speaker noted that across Asia, Africa and the Middle East, there is now a very young population: "The growth of their populations is so fast, that it is presenting a challenge for those countries.

"Especially in the underdeveloped or emerging countries in those regions, the major challenge of that young population in terms of health is being able to keep health insurance affordable." ■

ROUNDTABLE PARTICIPANTS

Ingo Muschick, senior partner, Synpulse Management and Tech Consulting



Peter Samy, regional sales director, UnitedHealthcare Global

Ranjith Verghese, senior director, business transformation & change management, AMESA, IQVIA

Sabastian Barretto, CEO, Infina Reinsurance Broking

Sajith Kumar, CEO, UAE, Howden Insurance Brokers

Dr Abdulzahra Abdullah Ali AlTurki, CEO, National General Insurance Co. PJSC

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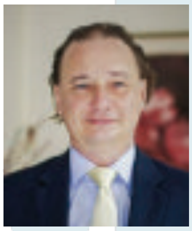

Laurent Pochat-Cottilloux, CEO, AXA Life and Health Reinsurance Solutions

Takaful must rebrand itself

Collaboration between takaful providers is essential if the niche industry is to grow, achieve its potential and learn some of the lessons of the past.

First and foremost, takaful models must be financially sustainable – providing a return for shareholders – and they must be a viable choice for a broader base of customers. This was according to a panel of experts speaking on Day Two.

It comes down to rethinking the market's value proposition, thought the panel. "If takaful is to succeed it has to succeed financially first," said one speaker.

It is only by working together that the challenges can be ironed out and successes shared, thought one speaker. He pointed out there were just two takaful operators in the Oman insurance market, which made it extremely difficult to benchmark best practice.

"Some parts of [the sector] are very good, approaches which we can borrow," he said. "But where is the dialogue?"

A lack of standardisation from one market to the next is stifling growth, with very difficult takaful models in Malaysia, the markets of the GCC, Turkey and North Africa. Presently there is too much cost in the system and too many stakeholders to answer to, including the Shariah board, with management caught in the middle.

DISTRIBUTION AND MARKETING

Part of this involves a rebrand, with the product being better marketed as a suitable alternative to traditional covers. The panellists pointed out that takaful is much more than Islamic insurance and that more needed to be done to market the benefits it offers to a broader market.

"It's not just about Shariah compliance," said one speaker. "It's about ethical insurance and it doesn't matter what religion your client is. Many companies started with the best of intentions, but have morphed into something unrealistic."

"There is a lack of awareness about takaful outside of the Muslim countries," said another. "It should be promoted as a viable alternative for ESG-conscious consumers."

COMPETITION IN PERSONAL LINES

Another missed opportunity came from a narrow focus on motor and health classes of business – compulsory personal lines in many Muslim markets. While these may be the easiest lines to administer, the issue here is that customers nearly always select cover based on the price as the main criteria.

"What is the benefit to the buyer of takaful motor insurance?" asked a panellist. "For the person on the street, why should they pay more for that?" Instead, the market should consider opportunities where the ethical qualities of the product will hold more appeal. "We should create a takaful alternative to every line of business so long as there is a need for it," said one panellist.

It is still early days in the development of the sector. "Takaful is only 50 years old, and it will take time to mature," a panellist said. ■

> "There is a lack of awareness about takaful outside of the Muslim countries. It should be promoted as a viable alternative for ESG-conscious consumers."

PANELLISTS


Neelmani Bhardwaj, CEO, Takaful Oman


Dr Ilker Aslan, senior advisor, Synpulse Management and Tech Consulting


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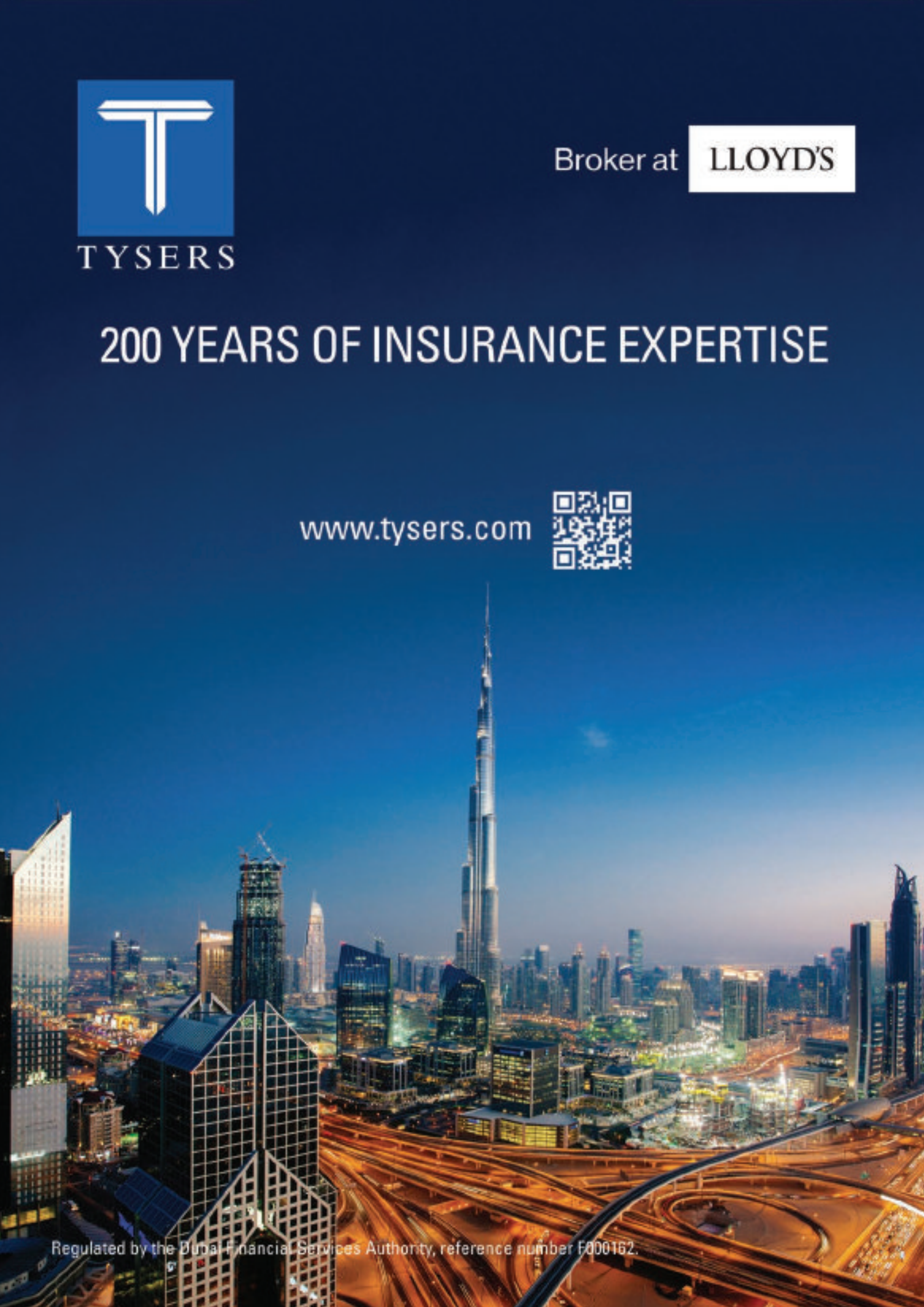
Michele Grosso, co-founder and CEO, Democrance


Vasilis Katsipis, general manager, market development, MENA South and Central Asia, AM Best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DIFC MEASA Reinsurance Survey Key Highlights

97 complete responses.

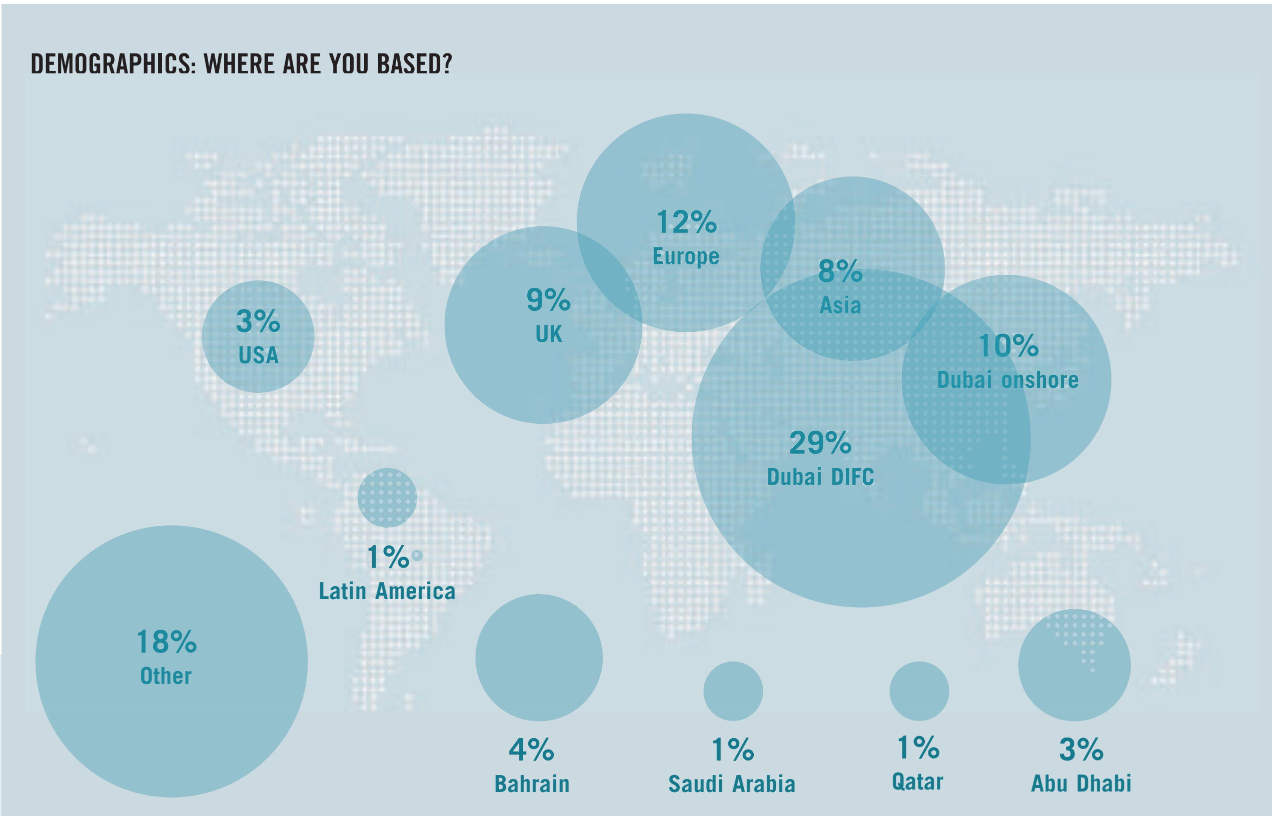
28% predict growth opportunities in the property sector.

88% recommend or highly recommend the DIFC as a regional hub for re/insurance.

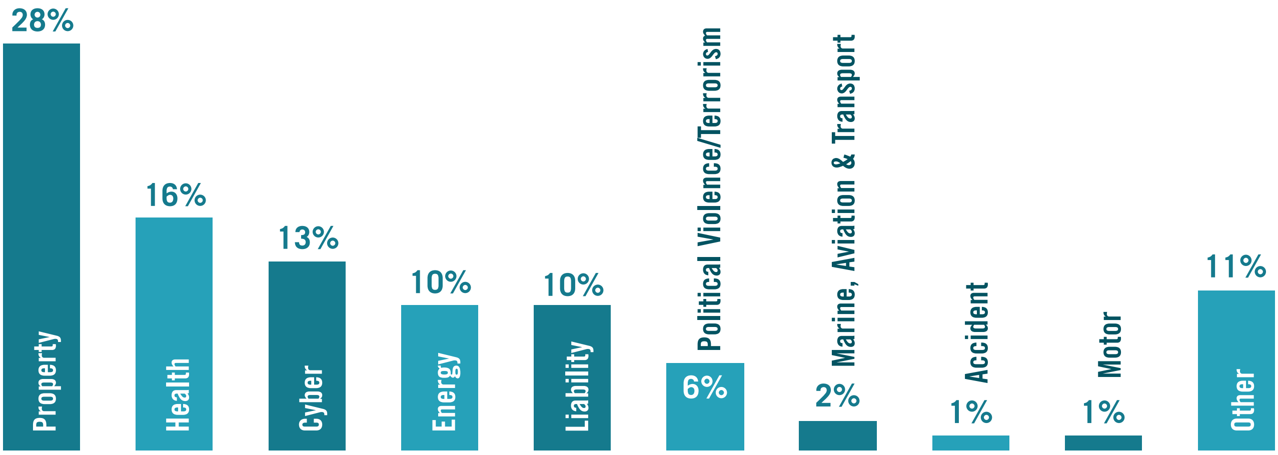
29% of respondents are based in the DIFC.

Lower costs, more licences issued, shorter application process and more incentives were also requested by the respondents.

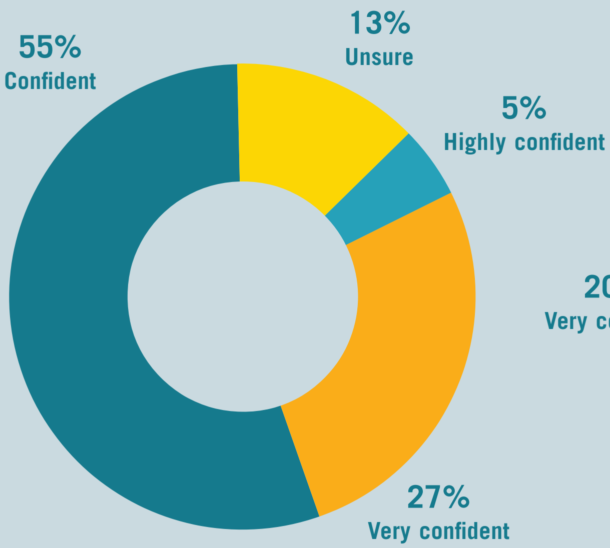
82% are confident in the MEASA re/insurance market over the next 12 months.



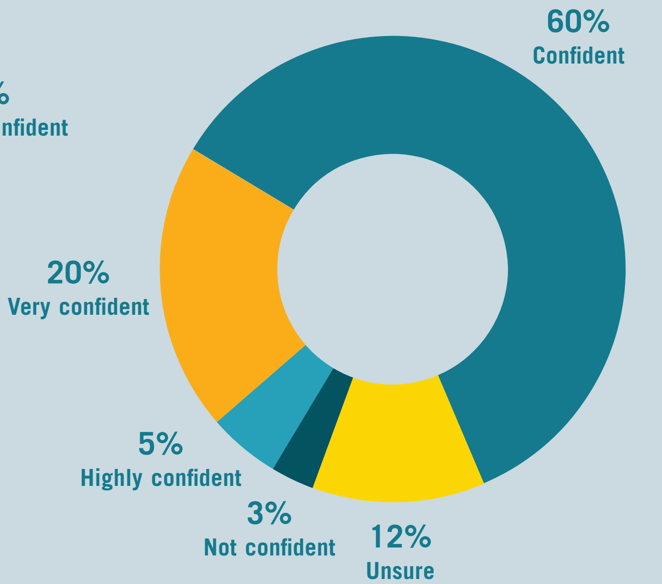
IN WHICH LINES OF BUSINESS DO YOU SEE GROWTH OPPORTUNITIES IN THE MEASA REGION?



HOW CONFIDENT ARE YOU IN THE MEASA RE/INSURANCE MARKET OVER THE NEXT 12 MONTHS?

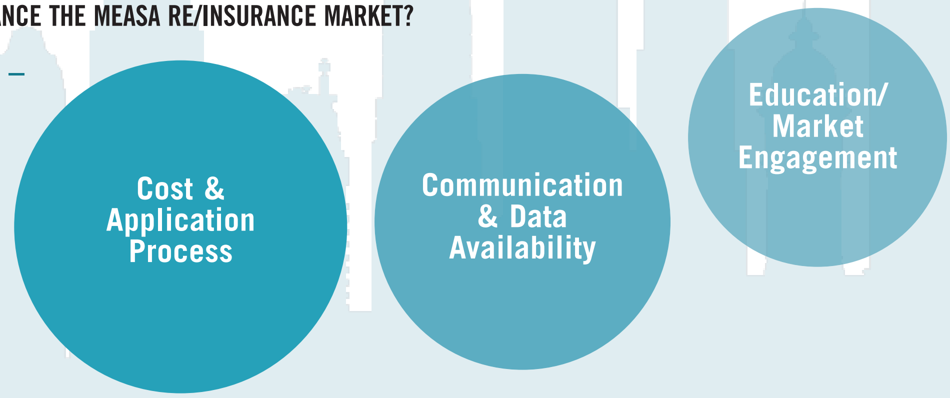


HOW CONFIDENT ARE YOU IN THE NEXT SET OF RENEWALS?



WHAT CAN THE DIFC DO TO ENHANCE THE MEASA RE/INSURANCE MARKET?

Majority of responses/theme – areas of improvement




Competence
that makes a
DIFFERENCE
Reinsurance
LINK