INSURANCE UPDATE | FEBRUARY 2021

# Middle East and North Africa Insurance Market Report

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# MENA Insurance Market Report

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# Introduction

## As with organisations globally, those in the Middle East and North Africa (MENA) region are feeling the impact of transitioning insurance markets.

COVID-19 has resulted in an economic slowdown, which has adversely affected insurers and led to increased pricing and reduced capacity in many areas. This is affecting local markets – at a time when companies are focused on reducing costs.

In MENA, local insurers are generally not able to act as a leader on large insurance programmes, due to limited local capacity, and are more dependent on the reinsurance market. As a result, larger insurance programmes placed in MENA have been affected by changes to the international reinsurance market, which is transitioning and seeing widespread increased rates and reduced capacity.

As a consequence, international reinsurers are taking less of a share of many risks in the MENA region. Additionally, reinsurers are becoming more selective on the risks they do reinsure, and applying more exclusions – for example, around pandemic-related claims. Reinsurers have also imposed stricter measures on premium payment, in order to improve liquidity and control bad debt reserves.

Health insurance is less commonly reinsured in the international market, as major local insurers retain the risk, and does not require reinsurance support. In addition, COVID-19 has impacted the performance of medical books positively, allowing insurers in MENA to still be more competitive, with some companies able to achieve premium decreases, while others have seen premium increases – depending on their past claims performance.

For property and casualty (P&C), competition remains high within the local markets, with appetite for smaller accounts actually increasing across MENA. However, with reinsurers imposing more limits on the risks they will accept, it's harder to find alternatives in the market. Similar to health insurance, motor insurance witnessed positive performance and continued to show competitiveness between local insurers.

In the last 12 months, various laws and rules have been introduced across the MENA region to help advance its markets.

**Saudi Arabia –** Several laws have been introduced around electronic transactions, and mandatory leased motor policies.

**UAE –** New anti-money laundering rules and reinforcement of KYC rules are now in force.

**Oman –** Will introduce its own medical plans.

**Bahrain –** Will introduce its own mandatory medical plans.

**Kuwait –** Has launched its own insurance laws.

**Egypt –** The Financial Regulatory Authority (FRA) issued Decrees No. 82, 85, and 91 (the "FRA Decrees"), which suspended the issuance of new licenses for insurance brokerage companies and amended the composition requirements of review committees in listed companies.

NOTE:
**With the global and regional insurance markets in transition, it is more important than ever for insurance buyers to work with their brokers and other counsel to prepare diligently and well ahead of insurance renewals.**

# Insurance Coverage Rate Trends

## Construction

Increase

Insurance prices in the construction market had been declining since around 2005. However, this trend started to reverse mid-2018, due to some large global losses, including one that may become the largest-ever loss – estimated to be over US$2 billion.

Other factors affecting the MENA construction insurance market include:

- Major energy construction and operational losses in the Middle East, which have far exceeded insurance market estimates.
- Some poorly performing syndicates exiting the construction sector, following a Lloyd's of London performance review.
- Increased natural catastrophe events, particularly flooding, in various regions.
- Increased market consolidation/restructuring of major markets; for example, over the past year, three major insurers closed their construction desks in the Dubai International Financial Centre (DIFC).
- The reinsurer market downgrading or, in some cases, going into runoff.
- Significantly reduced capacity among global reinsurers.

Prices and deductibles continued to increase through 2020, pushing up the cost of insurance compared to similar projects placed in 2019. Some key reinsurers have exited the business due to revised risk appetites, while remaining reinsurers have taken a tougher stance on terms and conditions. This has led to fewer markets being willing to offer lead quotations, with more instead opting to provide follow-on support – and only if the terms and conditions are aligned with their guidelines.

Another issue faced by insurance buyers is the validity period of quotations. Where it would once have been possible to extend the validity of a quote over a few months, it has now been reduced to a few weeks after which insurers revise their quotations.

## Cyber

Increase

At the start of 2020 cyber insurance rates remained stable, with even some reductions seen. In the last three months, however, insurers have pushed for rate increases due to a rise in global ransomware claims and the expectation that we will see a similar frequency of insured losses in MENA.

Any price increase will very much happen on a case-by-case basis. However, prices may increase more into 2021, and some insurers have already, unsuccessfully, pushed for greater rate increases across the board.

Coverage is fairly stable, as is capacity, although some insurers have tried to reduce capacity. However, the MENA cyber insurance market still sees more entrants, with increasing capacity available in the Middle East, which helps to maintain a certain level of competition between insurers and ensure best terms and conditions.

## Directors and Officers

Increase

Directors and officers liability insurance rates continue to increase considerably. Capacity is still contracting significantly, while insurers continue to be concerned about COVID-19's impact, particularly on liquidity and future insolvencies. This has led to insurers pushing to restrict coverage, particularly around insolvencies.

Rates have increased, on average, considerably year-over-year. In particular, the aviation, hospitality, and retail sectors have seen large rate increases. There have been no recent new claims notifications, but insolvency-related claims are expected in the next few months.

## Energy

Increase

The energy market in the region continues to be a strong access point for capacity, despite the withdrawal from the DIFC of some international insurers during 2020.

The last two years have seen the return of strong underwriting discipline for downstream risks with, in 2020, a second year of strong rate increases together with pressure on deductibles and restrictions in coverage and conditions.

The focus on quality risk engineering information is a continued feature of the downstream energy market.

For risks in the upstream sector, after an essentially flat 2019, prices modestly rose throughout 2020, but at a very different pace than the downstream sector.

While some stabilisation is expected in the downstream market in 2021, or at least a much lower rate of increases, the upstream segment may continue to see increased rates and reduced capacity in the coming year.

However, the sub-sector of the energy market – third-party liabilities – is showing the strongest signs of volatility, with most insurers reviewing and restricting coverage and imposing substantial price rises, particularly for companies in the region purchasing significant limits.

## Marine

Increase

Marine insurance in MENA has recently become subject to far more scrutiny and rigour. Local underwriters are more disciplined than just a year ago, while their claims settlement teams are scrutinising claims far more. There is now less difference between London market underwriters and local underwriters.

In line with increasing rates overseas, local market rates are increasing. For fleets with a bad claims history, rate increases can be considerable.

However, local underwriters are still keen on long-term relationships, and do not want to lose clients. Consequently, rate increases can sometimes be negotiated, which is much less likely with London underwriters.

Six Lloyd's of London underwriters used to write marine insurance through the Lloyd's DIFC platform, but now only two or three Lloyd's underwriters remain.

The marine market has recently seen some notable claims. For example, on the cargo side, a car carrier capsized off the US coast, with all the risk underwritten in the MENA Gulf Corporation Council (GCC). Meanwhile, a loss of a livestock carrier – which sank in a typhoon off the coast of Taiwan – caused a local market loss of around US$25 million. Additionally, a fire in a Qatar shipyard, causing the destruction of a royal family yacht, led to a loss of more than a US$100 million.

## Power

Increase

The insurance market for power and utilities continued to tighten throughout 2020, with double-digit rate rises. Steady rises, coupled with a review of deductibles, have become the norm, without a changing trajectory expected in 2021.

Although renewables was the most competitive segment of the power sector over the last few years, we have witnessed a lack of appetite for solar and wind, forcing MENA-based risks to rely on international capacity to complete placements.

## Professional Liability

Increase

Rates are increasing in the professional liability (PL) insurance market, while capacity is decreasing.

Capacity for project-related PL insurance has decreased hugely. Meanwhile, PL insurance for small and medium-size projects has become far more commonplace, with lower insurance limits and extremely variable annual pricing. Conversely, very-large projects have become less commonplace, although capacity for such projects is much reduced, while rates are increasingly significantly.

Policy wordings remain fairly stable, but continue to be slightly narrower than those in London. Rates are generally a bit higher in the North Africa market than in the Middle East, with the French insurance market used more than before.

## Property

Increase

The MENA region currently has a two-tier property insurance market: tier-one comprising local insurers and tier-two comprising international (re)insurers. Companies requiring large reinsurance capacity – for example risks with value accumulations of greater than US$500 million – are generally seeing rate increases, as large insurers seek higher rates, increased deductibles, and deploy less capacity. However, companies with capacity requirements that can be satisfied by local markets are generally seeing flat rates and, in some cases, reductions.

More generally, companies with poor loss experience, or high-asset values or high-risk exposures – where pricing is driven by the reinsurance market – are seeing significant rate increases. Meanwhile, every risk now requires a compelling argument to convince underwriters to offer the most competitive terms. Companies should be prepared to provide more underwriting information, including survey, construction, occupancy, protection, and exposure information.

In addition to pricing, coverage (particularly for contingent business interruption, non-damage business interruption, disease, and cyber), deductibles, and business interruption waiting periods are being scrutinised as insurers seek certainty of coverage exposure and reduce their attritional loss exposure. More insurers are also attempting to apply natural catastrophe sub-limits.

Additionally, COVID-19 remains a question mark over many renewals and coverage issues, with legal actions elsewhere likely to influence successful claims settlements.

## Trade Credit

Increase

The last year was one of the toughest years for the trade credit market. It is estimated that trade credit insurers could face claims/loss ratios in excess of 100% in 2020 and 2021. This is already causing the market to transition further, as insurers and reinsurers anticipate increased losses. Additionally, in 2021 credit specialties insurers are likely to experience top-down pressure from a more systemic transitioning in the (re)insurance market.

Credit insurers have taken a very conservative position on some sectors, in particular retail, travel/hospitality, aviation, automobiles, home appliances, commodities, and construction. Insurers' approach to large exposures has also changed considerably, with more focus on risk-sharing measures and other loss mitigants to manage the underlying risk.

Foreign investors and overseas lenders are likely to face heightened credit risk, political risk, and performance challenges resulting from the wider global economic pressures. This will drive demand for credit insurance solutions from both corporates and banks/financial institutions. As we emerge from the economic crisis, priorities will switch to expanding sales and securing funding for strategic development, and credit insurance will play a critical role in ensuring certainty of receivables and providing access to better liquidity.

# Country Analyses

## Insurance Rate Changes By Country

| | UAE | Saudi Arabia | Bahrain | Egypt | Oman | Qatar |
|---|---|---|---|---|---|---|
| **General Liability** | ↔ | ↑ | ↔ | ↑ | ↔ | ↑ |
| **Motor** | ↓ | ↓ | ↑ | ↑ | ↓ | ↑ |
| **Workers' Compensation** | ↓ | ↔ | ↔ | | ↔ | ↑ |
| **Property** | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ |
| **Medical** | ↔ | ↔ | ↑ | ↑ | ↑ Q1 & Q2 ↓ Q3 & Q4 | ↔ |
| **Life** | ↓ | ↑ | ↔ | ↑ | | ↑ |

**RATE TRENDS**

↑ Increased ↔ Stable ↓ Decreased

# UAE

## General Liability

General liability rates continue to fall for smaller accounts, due to high competition, and capacity remains stable among local insurers. However, for larger programmes requiring reinsurance, rates are increasing and capacity is reducing.

## Motor

Rates are reducing, due to continued competition among insurers, who find the business line attractive for cash flow purposes. Regulation – such as the introduction of tariff rates – has increased performance, resulting in insurers offering more competitive terms. This trend has been compounded by social restrictions relating to the COVID-19 pandemic, which has resulted in less driving and, consequently, fewer accidents.

## Workers' Compensation

The workers' compensation market has seen little change in 2020, with the market still competitive and limits remaining fairly low. Rates are still going down, but not steeply, because margins are minimal. Some companies now have smaller workforces, due to cutbacks caused by the COVID-19 pandemic, and therefore small overall exposures – and consequently lower total premium spend.

## Property

Rates are increasing due to reduced capacity, resulting from (re)insurers changing jurisdiction (for example, moving back to headquarters), resetting underwriters guidelines, and applying international standards. Additionally, in light of the pandemic, insurers are looking to introduce restrictions on pandemic-related coverage (for example, non-material damage BI-related claims).

## Medical

The market's overall claims performance improved because of lockdowns, but government intervention – where it mandated that all insurers had to pick up COVID-19 expenses in Emirate Dubai – impacted affected insurers' reserves, which are likely to deteriorate in an anticipation of further pandemic waves.

Many insurers are fighting to retain business in this market, while many companies are pushing for price reductions due to lockdowns. Since lockdown, most companies – from SMEs through to large international companies – have requested remarketing their programme to try and achieve a rate reduction. However, in many cases a rate reduction is only possible by sacrificing some benefits from the programme, yet the improvement of claims performance has helped to achieve expiring terms.

## Life

Life insurance continues to be extremely competitive, with increased capacity and possible large rate reductions available to some companies. Some insurers have widened their terms and conditions, and reduced the number of exclusions in their policy wordings. Many are offering discounts when medical and life insurance programmes are combined.

## Opportunities

Since lockdown, there has been a huge increase in online portals – for example, medical advice became more available online. All insurers now have portals to manage day-to-day policies.

In order to pursue further growth opportunities, insurers will explore niche lines of business that have been less affected by the pandemic – for example, logistics and manufacturing. Other areas of interest include employer protection, cyber, and trade credit.

**RATE TRENDS**

Increased Stable Decreased

# Saudi Arabia

## General Liability

Pricing increased slightly in 2020, driven largely by changes to the international reinsurance market, which the local market depends on heavily due to its own small capacity.

## Motor

Motor insurance's share of the overall insurance industry has declined from 34% to 25% in Saudi Arabia. Pricing has declined slightly, driven by competition among insurers, who are attracted to the line of business because of its relative simplicity and the cashflow it provides them. Additionally, claims have recently decreased due to COVID-19-related lockdowns and social restrictions.

## Workers' Compensation

Due to well-established compulsory workers' compensation insurance, most claims are addressed by the General Organisation for Social Insurance (GOSI). This insurance is usually opted for to cover employers' liability and, since the environment is not particularly litigious, there are few claims, making this insurance very attractive to insurers.

## Property

Prices have increased slightly in 2020 – driven by the transitioning international reinsurance market, which is seeing increased prices and reduced capacity. Local capacity remains stable, however. There has been widespread withdrawal of pandemic-related coverage, although 2020 saw relatively few claims.

## Medical

The medical insurance market was stable in 2020, with no increase in rates, on average. However, 2021 will likely see a small increase due to standard inflation. The government is currently carrying the cost of COVID-19-related treatment, but insurers will carry the costs from 2021. Claims decreased during the lockdown but jumped in June, due to deferred treatments.

**RATE TRENDS**

Increased   Stable   Decreased

## Life

Life insurance prices increased slightly, on average, in 2020. Some policies may increase more substantially, however, where requests are made to remove pandemic exclusions. Most group life policies cover deaths relating to COVID-19, although some policies exclude it.

## Market Updates

There is a trend towards insurance market consolidation, with some insurers merging following a clear directive from regulators, who want to ensure local insurers are financially strong. This trend is likely to continue in 2021-22.

# Bahrain

## General Liability

Although general liability insurance is not mandatory in Bahrain, major companies and government projects insist their contractors buy it, along with professional indemnity – particularly for construction projects.

## Motor

Motor insurance rates rose in 2020, due to the introduction of a minimum deductible. This increase occurred despite motor claims declining since the COVID-19 pandemic.

## Workers' Compensation

Workers' compensation insurance is provided by the General Organisation of Social Insurance (GOSI), designed by the Bahraini Government with limited cover. In addition to the existing GOSI cover, local insurers tend to provide difference in conditions/difference in limit (DIC/DIL) of GOSI benefits in order to fill the gap in the cover. Most workers' compensation policies are issued with the extension of employers' liability. Workers' compensation and employers' liability policies are generally requested by multinational companies or as part of contractual requirements.

Rates have increased on average – due to insurer nervousness around COVID-19 and remote working. This is despite COVID-19-related social restrictions leading to a reduction in claims. However, the premium rates are still comparatively cheap, compared to some other MENA regions, due to primary GOSI cover.

## Property

The property insurance market continues to have plenty of capacity, although this is heavily dependent on the international reinsurance market. Insurers are increasingly nervous about accumulation of risk relating to megamalls, for which premiums have increased considerably. Insurers are also increasingly concerned about older buildings (20–25-years-plus), regardless of occupation. Such buildings are still insurable, but have also seen a considerable rating increase, on average.

**RATE TRENDS**

Increased  Stable  Decreased

## Medical

Mandatory medical insurance is set to be introduced in Bahrain, although the rollout date is uncertain and has likely been pushed back by COVID-19. More generally, medical insurance is being recalibrated, with year-over-year rate increases on average, depending on loss record. Use of telemedicine has increased considerably since the start of the pandemic, allowing insurers to better control claims. With medical insurance now needing to be paperless, lots of insurers are investing in technology and, in some cases, passing on some of the cost of this technology in the form of increased premiums.

## Life

Life insurance rates increased slightly – triggered by early concerns about COVID-19. Local insurers have had to step up and cover COVID-19-related deaths. As a result, their treaty costs have increased, so they are passing the costs back to policyholders. This trend will stabilise in 2021 – despite increased demand for life insurance, with rates likely to peak and possibly slide a little – because of more premium in the market.

More generally, analysts predict that Bahrain's insurance market – currently the smallest in the Gulf Cooperation Council – have grown by about 7% each year until 2021. Following the economic impact of COVID-19, large-scale investment in civic projects such as roads, schools, and housing is likely in 2021.

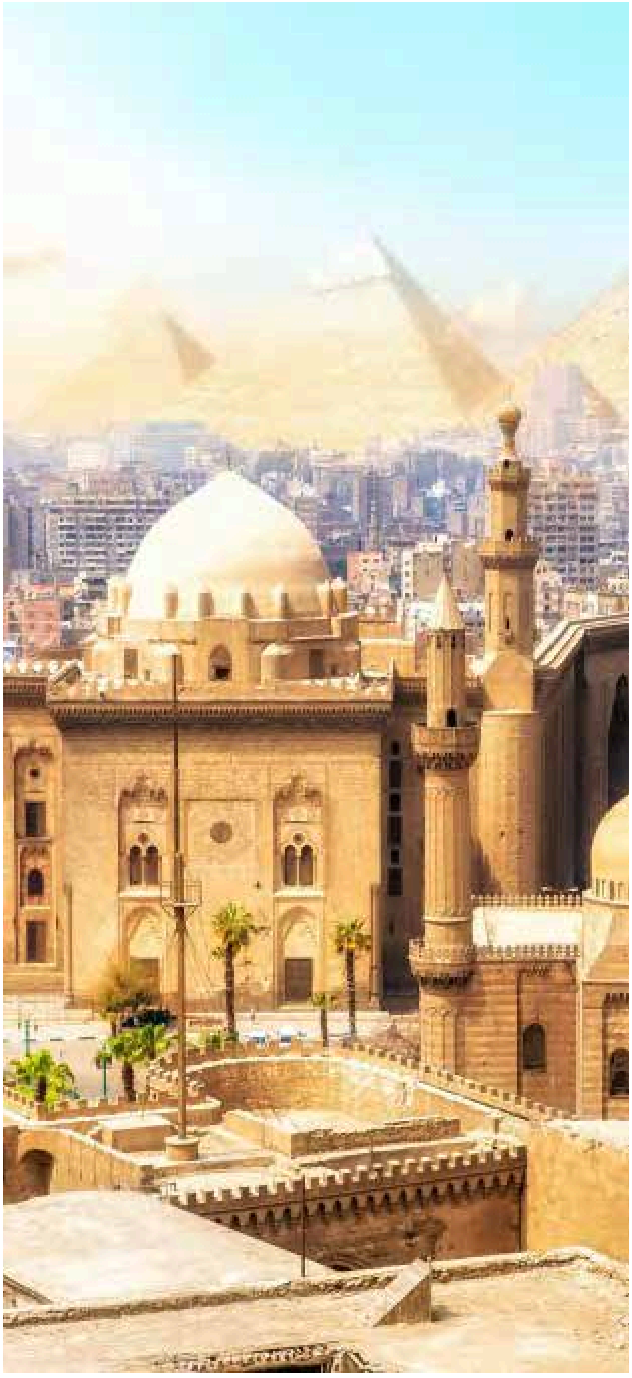
## Other News

A Personal Data Protection Law has been written into civil law. The Central Bank of Bahrain is mandating that all financial institutions provide evidence cover as part of their statutory annual returns, which allows them to get their license. Thus, for any Central Bank of Bahrain (CBB) licensees, cyber insurance is also now mandatory, due to these new data protection regulations.

# Egypt

## General Liability

Rates are still declining for construction business that doesn't require reinsurance support and is placed locally. Rates are increasing, however, for large projects whose insurance programmes require reinsurance support. For operational business, rates are still increasing, because most general liability in the operational phase is covered by the international market, which has been in transition.



## Motor

Motor rates are generally increasing, although the extent depends on companies' individual loss records. Rates are increasing for companies with a loss record, but are sometimes stable for companies without any losses.

The number of motor accidents and claims have recently decreased because of fewer cars on the road. However, repair shops have increased the cost of spare parts, so the average cost of each claim has increased. Local market capacity is large, so there is no need for reinsurance capacity.

## Property

The property market has seen some rate increases. Currently, most international reinsurance capacity has decreased – impacting rates badly. In March, heavy rain resulted in large losses for some companies. As a result, insurers are now more concerned about taking a large retention, and tend to reinsure a large part of the risk.

## Medical

COVID-19 has increased many companies' demand for medical coverage. At the same time, however, rates are increasing considerably, due to the large number of COVID-19-related claims.

## Life

Life insurance is stable in Egypt, despite a large number of fatal claims due to COVID-19. Meanwhile, coverage and capacity remain unchanged from 2019.

More generally, the potential for growth within Egypt's insurance sector appears strong. Low insurance penetration rates and opportunities, such as the introduction of micro-insurance, could boost the sector. Micro-insurance has started to be offered by some markets – for example, for smaller companies. Construction is also seen as a major line of business in the market, due to the potential investment in construction/infrastructure projects – including roads, bridges, and the metro.

**RATE TRENDS**

Increased | Stable | Decreased

# Oman

## General Liability

The general liability market has been largely stable during 2020, with perhaps a slight increase in rates due to reduced capacity. Rates depend greatly on each individual company's risk profile, with the hotel and tourism industry most affected, since they are more prone to pandemic claims. However, all liability policies currently exclude COVID-19.

## Motor

The motor industry is one of the largest segments of Oman's insurance industry. It has seen recent reductions in pricing, due to strong competition among insurers. Markets have devised online solutions to help people buy motor policies more easily (in light of pandemic-related social restrictions), which has resulted in more policies being issued.

## Workers' Compensation

Workers' compensation insurance is mandated by law in Oman. Increasingly, it is becoming a contractual requirement in local and trading contracts, as the trading community becomes more risk-aware. Some companies combine their workers' compensation insurance with their group life policy to reduce costs.

## Property and Engineering

The property and engineering insurance market has undergone significant turbulence since 2018 – when the Dhofar regions were heavily hit by multiple catastrophic cyclones. Prior to that, the property market was stable, due to the Middle East region having not experienced many catastrophic losses, and the (re)insurance markets' leniency in accepting risks in the region without any limitation.

However, in 2018 Cyclone Mekunu caused heavy losses – with one of Oman's ports recording a significantly high claim as a result – which affected the entire Middle East (re)insurance market. Following this and various other subsequent cyclones in Oman, the reinsurance market started to correct rates and deductibles. Many (re)insurers have left the property market, resulting in it being downgraded due to financial instability and reduced capacity.

Three or four regional markets have withdrawn from underwriting coastal properties; all these markets had injected huge capacity in accepting Omani risks, which has clearly created a considerable hole in their capacity.

Post COVID-19, the market is likely to deteriorate further as insurers experience potential business interruption claims associated with COVID-19. This is despite COVID-19 exclusions being strictly applied to all renewal and new policies.

Grid-station, infrastructure, and electrification project rates have tripled in the last six months, due to claims and a lack of capacity in the market. This has rendered local insurers heavily dependent on the international reinsurance market, leading to increased premiums and larger deductibles.

## Medical

Q1 & Q2 Q3 & Q4

Insurers were analysing COVID-19's impact in the first two quarters. Regulators mandated that all medical expenses for COVID-19-positive cases (excluding those relating to self-quarantine) had to be covered by medical insurers in Oman, irrespective of their reinsurance support, effective from 31 May.

Since most medical policies exclude pandemic costs, the costs relating to COVID-19 have ended up in net and treaty, which is expected to affect the available capacity later on and increase the loss ratio.

However, while the pandemic has run across nearly a year now in the sultanate, medical insurance portfolios have seen a considerable drop in utilisation, resulting in a healthy loss ratio across medical insurers. Unlike in the past, where the medical portfolios have always seen an increase in renewal rates owing to unfavourable loss ratios, medical inflation in the third quarter of 2020 and first quarter of 2021 renewals have seen reduced pricing from expiring, even for accounts that had abnormal loss ratios in previous years. Though this is owing to the pandemic and related social restrictions, the number of people visiting hospitals for other medical conditions and treatments have been delayed. Once COVID-19 abates, the number of medical claims will likely increase and the claims utilisation trends will return to normal – affecting pricing in the next renewal.

### Other News

VAT is not currently applicable in Oman, but it is expected to apply to all insurance policies by April 1, 2021.

# Qatar

## General Liability

After declining rates for the last five years, rates are now increasing despite no major claims recently being reported. The rates for general liability (GL) have been increasing in the past two years more specifically on placements, which rely on the reinsurance markets for terms/support. In those cases, the increase in premium is a reflection of the hardened reinsurance market conditions. Policies that are quoted by the insurers locally, haven't seen a similar increase vis-à-vis those supported by the reinsurance markets.

## Motor

Insurers expect an average annual increase, though rates are likely to become more stable in the next 12 months. Inflationary claims trends will continue to be a challenge for motor insurers, but are expected to ease off gradually in the next 12 months with the successful resolution of the diplomatic boycott and blockade, which had led to increased costs for spare parts due to supply diffi culties.

## Workers' Compensation

With reductions in some companies' workforce due to the pandemic, and with companies facing budgetary constraints for new hires, insurers are unwilling to offer further reductions, as the rates had reached rock-bottom in the previous few years. Some steep increases in rates have also been seen where claims are reported. This type of insurance is no longer as profitable for insurers, who are therefore seeking to maintain current rates or even increase them slightly.

## Property

Property insurance rates are increasing, due to the pandemic and the international property market's transition. The property loss ratio has been in the region of 75%–90%, aggravated by water damage claims in 2018 and 2019, together with business interruption claims earlier in 2020. Further rate increases are very likely.

## Medical

Most employers are keen to renew/place their medical coverage with local insurers, or insurers who can offer local network services. International insurers are also playing a key role by offering wider coverage benefits and better services. Medical inflation is projected to remain stable and similar to past years. Medical insurance policy rates have seen revisions as they are linked to their loss ratios, with many programmes experiencing loss ratios of more than 100%, consistently.

## Group Life

Group life insurance rates are competitive, as many insurers regard it as profitable. Awareness of this insurance is rising due to an increased number of fatalities, especially in the labouring sectors, and employers are keen to offer this benefit to their employees.

### Risk Trends

Qatar had been in the midst of a challenging political boycott, following the blockade imposed by several countries, including Saudi Arabia, the United Arab Emirates, Bahrain, and Egypt, in June 2017. The boycott and blockade were lifted in early January 2021, which is expected to have a positive impact on the overall economy. While this re-opens the doors to Qatar insurance buyers for regional reinsurance markets, the positive impact remains to be seen, especially on the placement of property, liability, and medical insurance.

Long-term market optimism should strengthen with Qatar winning the hosting rights for the Asian Games 2030. Additionally, the Qatar National Vision 2030 aims for balanced, sustainable economic growth, based on the four pillars of social, economic, human, and environmental development. As part of this plan, Qatar has invested heavily in infrastructure, and has ambitious plans to expand its capacity in the oil and gas sector. These investments are expected to contribute to the growth of the insurance market.

# Conclusion

## As rates increase in many different parts of the MENA region, risk management will become even more important, especially as many companies look to restructure their insurance programmes and, in some cases, retain more risk.

In order to explore retaining more risk – as opposed to buying more insurance – many companies will need to improve their understanding of their risks and how they are managed. This will enable them to make informed decisions, influence internal decision-makers, and optimise the balance between risk transfer and risk retention. In effect, it will allow companies to become sellers of risk rather than buyers of insurance.

To ensure this, while at the same time improving their understanding of their risk, companies should consider taking a more holistic approach to risk management. This would involve setting an over-arching risk strategy to understand what insurance should be purchased and its rationale. This would start by addressing risk appetite and whether it is expedient. By understanding how much risk is acceptable to the business (and in what areas), as well as determining how much financial loss can be absorbed, companies would be able to set out their strategy for insurance.

To assist in driving appropriate insurance purchases, it is vital for companies to define their risk profile. Undertaking an insurable risk review will highlight where insurance can be utilised as a risk mitigation option. Once the risk profile has been defined, the next step is to map the key risks to meet with the company's business requirements to ensure an insurance programme is created where there are no gaps or overlaps in cover. This will drive a better understanding of the potential depth of exposure, and improve the ability of the business to undertake the necessary actions to minimise the risks to an acceptable level.

Once the risks are understood, their "true asset" value should be determined. Given insurance is bought based on exposure, it is imperative that the appropriate sums insured are provided for insurance purposes. Asset valuation for insurance purposes is where the replacement cost is determined and used as the baseline for the sums insured.

Additionally, it is important to present the risks in a format to the insurance market that allows a company to differentiate itself. Using risk engineering reports, the company can highlight how well it is managing its operational activities, the steps that are taken to minimise exposures, and showcase how loss control across activities is managed. The risk engineering report is an excellent tool for companies to highlight how well their operations are risk-managed.

Finally, insurers understand that claims will occur, even to the best risk-managed operations. It is beneficial for companies to highlight their post-loss capabilities and their business continuity management capacity. Should a loss occur, it is prudent that a company has in place a comprehensive and well-tested set of protocols to ensure the swift return of operations. This preparedness should be highlighted, as it can positively affect a company's insurance purchasing discussions.

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