

***Federation of Afro-Asian  
Insurers & Reinsurers (FAIR)  
Conference***

**Gulf Hotel  
(Manama, Bahrain)**

**9 – 11<sup>th</sup> October, 2017**

**Opening Remarks**

**(10<sup>th</sup> October, 2017)**

**By**

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Your Excellencies, Ladies and Gentlemen –  
Good Morning.

It gives me a great pleasure to welcome you all to the 25<sup>th</sup> Federation of Afro-Asian Insurers and Reinsurers (FAIR) Conference in Kingdom of Bahrain. This event has come a long way in supporting the regional cooperation and strengthening the insurance industry in the Afro-Asian countries. It has now firmly established its reputation as the most influential gathering of the insurance industry leaders, supporting growth, excellence and innovation in insurance

industry in Africa and Asia as well as globally.

I would like to express my sincere thanks and appreciation to HRH Prince Khalifa bin Salman Al Khalifa, the Prime Minister, for inaugurating the Opening Ceremony of the conference under his patronage. I would also like to extend my thanks to the organizers, sponsors and speakers for supporting this important gathering.

The theme of this year conference is "Insurance Transformation in the FAIR-Land".

This theme is important and timely as the insurance industry in Afro-Asian countries are

undergoing transformation and there is a tremendous potential for the insurance market in these countries to grow and thrive.

As you are aware, the Afro-Asian Countries economies have expanded at a healthy rate over the last decade and have made a significant progress in a number of sectors such as petrochemicals, infrastructures and telecommunications. The insurance industry in these countries has also experienced steady growth on the back of this economic development, improved regulatory environment, and increased public awareness.

For example, the GCC insurance industry has quadrupled between 2006-2016, with insurance premiums increasing to US\$26 billion as of the end of 2016 compared to US\$6.4 billion in 2006. This represents a compound annual growth rate of around 15 percent over the period, although the growth in each market varies. Such growth in insurance industry is due to several key demographic factors like the economic growth, population expansion, as well as increasing the life expectancy which have impacted the demand of insurance products in the Gulf region. In addition, Governments

investment in infrastructure projects have also provided new underwriting opportunities for further growth of the industry. One of the major force behind the industry's growth in recent years has been the implementation of compulsory health insurance schemes in various jurisdictions, as well as the outstanding demand for Takaful products which create strong growth avenues for insurance companies in the region.

Overall, the positive growth outlook in Afro-Asian countries will continue to attract insurers, both domestic and foreign, to invest

in their insurance markets, but this is likely to increase the competition and put even further pressure on the profitability in the sector. Despite the robust growth, the insurance industry in the Africa and Emerging Asian countries (which exclude Japan, China, South Korea and Taiwan) accounted for around 5% of the world market, which was estimated at US\$4.7 trillion in total premiums.

In Bahrain, the Central Bank of Bahrain (CBB) is the regulatory authority responsible for the licensing and supervision of the insurance institutions in the Kingdom. These

include insurance firms that are locally incorporated or branches of foreign companies, insurance brokers, consultants, and captive managers. They also include supplementary insurance service providers like actuaries, loss adjusters, and Third Party Administrators which should be fit and proper and have the relevant expertise to offer these activities. As of the end of September 2017, the licensed insurance entities in Bahrain reached 151. These include: 24 locally incorporated insurance firms, 11 branches of foreign insurance companies, 25 exempt insurers, 5 reinsurance companies, 2 re-takaful

company, 31 Insurance brokers, 4 insurance manager, 1 captive company, 2 insurance pools & syndicates, 6 TPAs and 48 other insurance service providers such as loss adjusters, actuaries, consultants and representative offices. The total premiums, as of the end of 2016, reached BD272 million compared to BD 95 million in 2005, an average growth of almost 20 percent per annum. Overall, the percentage of general insurance represents almost 80% of the total premiums, while the life insurance represents the remaining balance, which is 20%. This outstanding growth in insurance sector was

mainly due to the surge in economic growth and the remarkable growth in Life insurance, Takaful and Medical Insurance in Bahrain during the past ten years.

One of the insurance classes that contributes positively to the insurance market in Bahrain is takaful, which shows an average growth in gross premiums of more than 16% per annum during the past ten years.

Basically, the insurance sector in Bahrain is regulated and supervised by the Central Bank of Bahrain (CBB) and its Law of September

2006. The CBB law contains a clear regulation governing insurance services in Bahrain. In addition, all insurance licensees are subject to the Volume 3 insurance rulebook which contains rules and directives that are in line with the best standards set by the International Association of Insurance Supervisors (IAIS). The insurance rulebook contains regulatory requirements related to corporate governance that set up rules to ensure strong role for board and good high level control, as well as business conduct that ensures that the licensees deal with customers in a fair and open manner and address their

needs. The rulebook also contains requirements related to risk management to ensure that insurance licensees have systems and controls sufficient to manage level of risk inherent in their business, as well as financial crime requirements to address the measures related to combatting money laundering in the insurance sector. It also outlines the reporting and public disclosure requirements. In order to ensure that the regulations are in line with the latest developments in the insurance market, the rulebook is updated on a quarterly basis.

As you may be aware, the potential market for insurance in Afro-Asian economies is huge. There is significant demand for a range of insurance products, from health to life, agricultural and property insurance, to catastrophe cover. Therefore, insurance regulators in Afro-Asian countries are required to take various steps to ensure that a stable insurance market continues to thrive and prosper in these economies. As a regulator, it is important to have dynamic regulations that are updated to market changes and in line with the best practiced international standards. Perhaps, one of the most important equations

that a regulator needs to address is the equation of how to maintain the balance between proper regulation and market developments. Basically, the CBB address this issue through their existing rulebook mechanism process that ensures to keep the regulation updated and in line with market developments.

One of the main regulatory priorities that a regulator should address is the protection of the policyholders. This objective should be clearly outlined in the Law as well as through the rules that are introduced by insurance

regulator. By ensuring policyholders are protected, supervision helps to build trust, a necessary precondition for creating a properly-functioning insurance market. Policyholders generally are not able to judge how solvent their insurance provider is, and in particular cannot assess an insurer's solvency over the span of a long-term insurance contract. Supervision thus plays a key role in assessing and monitoring insurers' ability to meet obligations. Only when these conditions are met will people be willing to buy insurance protection (especially long-term contracts like life insurance). Then and only then can a

sound insurance market develop. To protect policyholders, supervisors typically require insurers to hold capital commensurate with risks they take on. Supervisors also impose investment restrictions on the assets backing liabilities to policyholders, establish consumer protection standards, set rules for the competency and integrity of directors and managers (so-called ‘fit and proper’ requirements), mandate accounting standards and reporting, and – particularly important following the latest financial crisis – set up macro-prudential surveillance systems to

provide early warnings if a potential new financial crisis is brewing.

In addition, insurance regulators should encourage new lines of insurance business like Takaful, Captives and Micro-insurance. For example, encouraging large corporate on setting up captives could provide their owners with specific financial and strategic benefits. Some of these benefits include lower insurance costs, greater coverage flexibility and improved price stability. The same applies to Micro-insurance which could

provide specialized insurance products demanded by underserved low income people.

Regulatory bodies in the Afro-Asian countries should also prioritize other objectives to sustain growth in insurance markets. They should encourage the building of talent base and strive to enhance universities and private training centers to offer multiple insurance degrees and certificates to accommodate the needs of students and professionals and to target a wider range of individuals interested in pursuing insurance studies. This will guarantee the necessary supply of highly

qualified talented personnel to meet the growing demands of the market and regulatory authorities in these countries.

However, many believe that insurance sector globally is on the brink of a major disruption, but few insurance companies in Afro-Asian countries are putting the financial technology “Fin-tech” at the heart of their strategy. In a glut of changing trends, insurance companies must prepare to embrace the revolution and start seriously addressing the disruption caused by the rise of Fin-Tech or so called InsurTech. Consumer habits are evolving rapidly, and

more and more clients expect insurance offerings to cater to their specific needs. InsurTech can be the facilitator, yet if not incorporated into core strategies of insurance companies, it might emerge as a serious stand-alone competitor, putting at least some of insurance companies business at risk. Inconsistencies in navigating the changing landscape suggest insurers have the opportunity to define their path forward and state how they want to participate in the InsurTech space as well as in what ways they plan to drive related innovation. FinTech may be complicated and unfamiliar, yet if

approached strategically, it could help opportunity-seeking incumbents reinforce their leading positions, and benefit those insurance companies lower on the ladder by helping them move forward in the race for market share.

The unique value proposition of FinTech capabilities within the insurance industry lies in the shift from complexity and long-termism to real-time, easy to use, configurable, customized and cost-friendly products and services, all tied within the mobile and real-time technological era. Regardless of strategic

approach adopted, insurance companies should not ignore Financial technology.

Ladies and Gentlemen, this brings me to the end of my remarks. All that remains is for me to wish you an interesting and productive Conference, and to thank you all for your kind attention.

Thank you.