GR GLOBAL [RE]INSURANCE

The RVS Global Executive Breakfast Roundtable

EXPANDING HORIZONS

As its role as a leading reinsurance market hub continues to evolve, what's next for the Dubai International Financial Centre? And what can the experiences of other reinsurance hubs around the globe teach us? Our breakfast discussion at Monte Carlo's Rendez-Vous de Septembre 2024 sought to find out.

IN ASSOCIATION WITH DIFC

... And beyond!

Over 20 years, the DIFC has established itself as a premier hub for global re/insurance throughout MEASA – and a consistent champion of investment and innovation. So what next? Our roundtable discussed how the DIFC must manage fast-evolving risks and attract new talent in order to realise its ambitious future plans.

The Dubai International Financial Centre has risen to become the pre-eminent re/insurance hub for Middle East, African and South Asian markets, building a concentration of capital, expertise and innovation to reach critical mass in the 20 years since its launch.

Kicking off our breakfast discussion, Gracita Aoa-De Gracia, head – insurance and reinsurance for DIFC Authority, gave something of a status report. Here she underlined the progress already made, as well as a sense of the ambition that DIFC is taking into the future.

“We are celebrating our 20th anniversary this year, so that’s two decades of learning for us as one of the youngest financial centres in the world,” Aoa-De Gracia said. “We have already created a thriving reinsurance market within the DIFC, with circa 125 insurance-related entities.”

> **“The success of DIFC is about consistency, continuous development, and keeping the promises made to people.”**

Speakers did not hold back on praise for the scale of DIFC’s achievement in just two decades. One speaker said during the discussion, which was held under the Chatham House rule: “I’ve been watching closely since 2004 and what DIFC has achieved as an institution is amazing, despite all the challenges and competition. We have seen others try to imitate this model, but with much less success.”

SECRETS TO SUCCESS

The word that got heads nodding around the table was “consistency”, something that can be overlooked in a place like Dubai, with a skyline and geography that have changed

dramatically from one year to the next.

The guest continued: "The success of DIFC is about consistency, continuous development, and keeping the promises made to people, whereas other hubs have made promises that were unachievable. DIFC, on the other hand, has shown flexibility and also investment in the support system. From the digital infrastructure to the restaurants, all of that needs to be in place to build a success story."

Cost is always a factor, particularly for new entrants, of which there have been many welcomed to the DIFC in recent years. Managing general agents in particular have been at the heart of startup growth, with more than 40 currently operating from the hub, driven by tax savings and a simple, efficient regulatory regime to gain a licence and prosper.

"Cost of entry is competitive; very affordable for an MGA. I see growth potential, particularly for specialty," one guest noted.

Whereas previous roundtables for which *GR* and DIFC have partnered up have focused on the MEASA region that the DIFC primarily serves, this year's focus was more global, intentionally looking further afield to the other hubs that compete with and complement Dubai's place in the global re/insurance ecosystem.

These include London, Singapore, and Bermuda, each of which have carved out unique places in the landscape, in terms of regions, perils, and products. "DIFC has provided a more tailored solution to the region, in comparison to London or the others, which have more focus on the US and other business," one speaker said. "It matters to have underwriters who understand the region to find solutions. There is a lot of opportunity for DIFC, due to its location between Africa and the Indian subcontinent."

Another participant noted: "We aren't competing as hubs around the world; we're one market with various hubs in that marketplace that are defined by local characteristics. It's about leveraging that to demonstrate relevance."

A FRIEND TO THE TREND

The Bermuda market's story may present some useful case studies for Dubai's continued evolution. Bermuda became the domicile of choice for reinsurers launched after market-turning hurricane events,

OUR GLOBAL EXECUTIVE BREAKFAST ROUNDTABLE ATTENDEES
Gracita Aoa-De Gracia, Head – Insurance and Reinsurance, DIFC Authority
Joe Asmar, Deputy CEO, Chedid Re
Ramón Martínez Carrera, CEO, Active Re
Peter Englund, Senior Executive Officer, Middle East, Zurich Insurance
Corneille Karekezi, Group Managing Director / CEO, Africa Re
Eric Lafage, P&C Treaty I Market Manager, Middle East & Pakistan, SCOR
Larysa Markevych, Manager, Insurance and Reinsurance, DIFC Authority
Brendan Plessis, Executive Vice President, Sompo
Chair: David Benyon, Editor, *Global Reinsurance*

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also becoming the go-to hub for catastrophe bonds and insurance linked securities.

Another participant in the discussion noted that both DIFC and Bermuda share a similar regulatory ethos for attracting talent, capital, and promoting growth. “Both have shared notions of success, particularly a light regulatory environment to attract capital for long term scalability,” the guest noted.

By being “a friend to the trend”, i.e., looking at the growth already being achieved, the UAE, Dubai, and the DIFC’s prospects appear strong for the next 20 years, the participant emphasised.

Trade and foreign direct investment have been particular strengths of the UAE, with wealth management and financial services – including re/insurance – a natural accompaniment for the growth already observed in other sectors, such as technology, e-commerce, healthcare, energy, infrastructure, real estate, and education – all of which will drive increasing demand for risk transfer.

“If all of that activity sets the compass for our future growth as the re/insurance sector, why would we not be a friend to that trend?” the guest added.

INVESTING IN INVESTMENT

It was also revealed that a significant share of the DIFC Authority’s time is spent developing relationships with investors as sources of fresh capital, particularly high-net-worth family investment funds.

Economic activity across the Gulf region and the wider MEASA territories going as far afield as Sub-Saharan Africa and India, will continue to shape the portfolios of local insurers and their reinsurance partners.

One participant noted that the DIFC has “done a great job” at establishing itself as the regional hub for this business, and that approximately three-quarters of a typical regional reinsurance book of business is made up of property, construction, and energy business – something that is unlikely to change because of the amount of investment and development taking place.

“The investment we see in the UAE, Kuwait, Qatar, and Saudi Arabia in particular, will be a big driver. It’s a growing region, but it’s also an underinsured region. Although we expect emerging risks within this region, like cyber risk and financial lines, to grow going forward, it’s fair to say that construction, property, and energy will continue to be big drivers going forward,” the guest added.

RISKS SET TO EVOLVE

Over time, the makeup of the region’s risks is expected to change, speakers agreed. Headline government projects, such as Saudi Vision 2030, are not just construction booms, but are by their nature aimed at shifting the focus of the future economy, away from an energy-dominated past, towards a more diversified future.

After the big construction projects have been built, new risks, particularly for intangible assets, will come to the market, one speaker observed. This is in itself the typical journey for maturing insurance buying markets, starting with insuring bricks and mortar, before moving onto products for liability and other emerging, intangible risks.

“When those government-owned projects go public, you’ll see a demand for insurance and reinsurance for initial public offerings, for instance. So that’s when we’d expect to see more demand for financial lines products and for things like cyber,” the guest said.

Natural catastrophe exposure across MEASA could also be a significant avenue for growth for the DIFC. The protection gap – the difference between economic losses and insured losses – for this region is higher than most, and most cruelly revealed when a disaster strikes.

Earthquakes and cyclones are not unknown in the Middle East region. Turkey and Syria, for instance, suffered a severe earthquake in February 2023; Oman has been battered by cyclone activity in recent years; even Dubai in 2024 suffered from the effects of sudden and heavy rains.

The region already has some national government-led natural catastrophe backstops, and reinsurance providing retrocessional support to public private partnerships, such as national level nat cat protection funds, was highlighted by one participant as an avenue for reinsurance growth.

Property reinsurance buying at local insurer level in MEASA markets has been characterised by proportional treaties, rather than the excess-of-loss structures that tend to go with property catastrophe risk.

This might change in the wake of recent loss events, one participant suggested, with others agreeing "for sure" that non-proportional buying is now the direction of travel.

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market work better in terms of natural catastrophe exposures."

FINAL REMARKS

To conclude the breakfast roundtable, participants provided closing comments, for attribution, to emphasise a particular point they wanted to get across. Joe Asmar, deputy CEO of Middle Eastern regional reinsurance broker Chedid Re, got the ball rolling.

"A key challenge for DIFC reinsurers is related to navigating different legal frameworks," he said. "For most placements, we are seeing several reinsurers that operate in DIFC strictly adhering to its regulations. These laws sometimes contradict or conflict with local jurisdictions, including in markets like the Kingdom of Saudi Arabia or Oman. Findings ways to harmonise DIFC's framework with local legal systems is critical for addressing specific market needs, ensuring compliance, facilitating business and unlocking growth opportunities."

Building on this point, Ramón Martínez Carrera, CEO of Active Re, said: "What we need is harmonisation and cooperation between the different regulators. We need regulators to understand each other. That's it. It's simple to say it, but it's not easy. We need common ground for what is a global business," he said.

Peter Englund, senior executive officer, Middle East, Zurich Insurance, spoke next. "It's an exciting time for the region, with significant changes on the horizon. The continued growth of the DIFC is evolving into an important new phase, driven by increased regulatory support and an influx of foreign capital. We're not only seeing this in the UAE but also in neighbouring countries like Saudi Arabia, where large-scale investments are setting the stage for a transformative future."

Next to speak was Corneille Karekezi, group CEO of Africa Re. "Twenty years old it's still young, but there has already been a lot of knowledge gained by serving clients from across this region. The DIFC has great potential, despite what's going on elsewhere in this region," he said. "I don't think that Saudi Arabia, for example, with its plans, will soon be able to seriously challenge the DIFC, which has gained a lot knowledge and experience accumulated over these past 20 years of success as a regional reinsurance hub.

"Also, the wealth and investment, which has already accumulated in Dubai, as a financial hub, more broadly, will continue to find its way into our industry. If we are profitable, those funds will support growth, capital will grow, and that will address the protection gap we see," Karekezi added.

Eric Lafage, P&C treaty market manager, Middle East and Pakistan, at SCOR, underlined the need to close the protection gap by developing the region's natural catastrophe solutions.

"At SCOR, we have been stressing that property proportional capacity could become scarce in the Middle East if primary conditions do not improve. The Dubai flood event is probably speeding up the process and make it essential for the UAE primary property market to react to keep strong enough proportional capacity available," he said.

Lafage continued: "The market reaction has to happen through property rate increase, property deductible increase, natural

catastrophe deductible at Saudi levels, capping of retail broking, as in Saudi Arabia… We also need to see better management of nat cat exposure by ceding companies before transferring it to reinsurers, and increase of available property premium, by making homeowners' insurance compulsory, for example."

Brendan Plessis, executive vice president at Sompo, then made his closing remarks.

"One thing we haven't touched upon yet here today is the Innovation Hub within the DIFC. You've got more than 1,100 innovative growth stage, technology-enabled firms. As an industry, we can expect to go through a significant digital transformation. We want this industry to be attractive to the next generation, and there's nothing more attractive to them than being digitally enabled, so we should quickly jump on that opportunity," he said.

"Over the last 20 years, as the insurance market and the DIFC have expanded, we've seen the regulatory frameworks continue to evolve and address emerging opportunities. I think this is where the DIFC has done a good job of attracting capital, through this constant revitalisation and regulatory enhancement to attract the very best capital and the very best talent."

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Larysa Markevych, manager, insurance and reinsurance, at the DIFC Authority, echoed the importance of developing talent, by collaborating with academic institutions to develop local professional qualifications.

"We're working closely with our academy, attracting not only business schools providing MBAs, but also smaller courses for re/insurance industry practitioners, for underwriters and for brokers. We're also hosting another roundtable in November, which is also focused on attracting talent from other mature markets, such as London and Singapore," she said.

AT THE CENTRE

To conclude proceedings, the DIFC Authority's Aoa-De Gracia, thanked the attendees and spoke about the hub's aims for the future. "Our aspiration is to maintain our position, and to do better as a reinsurance hub. We say we are the reinsurance hub in the region, and we say 'MEASA and beyond', because we know that market players in the DIFC are not just accessing MEASA, but also other markets from the DIFC."

We are a gateway to all of these markets, because of the centricity of Dubai, because of DXB, because of Emirates Airline, because of all the infrastructure that Dubai had created, to allow people to efficiently and effectively perform as entrepreneurs and businesses, access other markets and grow."

She concluded: "We know we are a good platform, and we want to build on that success. What makes the DIFC so successful, as has been mentioned, is that it has been so good at being consistent. We are consistent, we're proud of that consistency, and we will continue to be a driving force for the future of finance." ■

A record-breaking year for the DIFC

In her opening keynote from DWIC 2024, the DIFC's Alya Al Zarouni celebrated the impressive growth within Dubai's hub for international (re)insurance business, and reflected the excitement felt in the industry to embrace its future.

The year 2023 was a record breaker for the Dubai International Financial Centre Authority (DIFC), with the highest premiums in its 20-year history.

The DIFC saw gross written premiums rocket by 26% last year, ultimately reaching almost $2.6bn.

Over the same time period, premium brokered in the DIFC crossed $2bn, up 61% from the year before, and there was 20% growth in the number of registered insurance and reinsurance firms.

LARGEST CONGRESS YET

Opening Dubai World Insurance Congress (DWIC 2024), the DIFC Authority's chief operating officer, Alya Al Zarouni, said: "The DIFC has driven the insurance and reinsurance industry, attracting global talent and technical expertise to access key markets in the Middle East, Asia and Africa.

"The DIFC today is home to over 120 registered insurers, reinsurers, captives, MGAs and insurance-related firm."

Since 2017, the DIFC has partnered with *Global Reinsurance* to grow DWIC into one of the pre-eminent events for the industry. Momentum is growing year on year, and this year's Congress is the largest in its history.

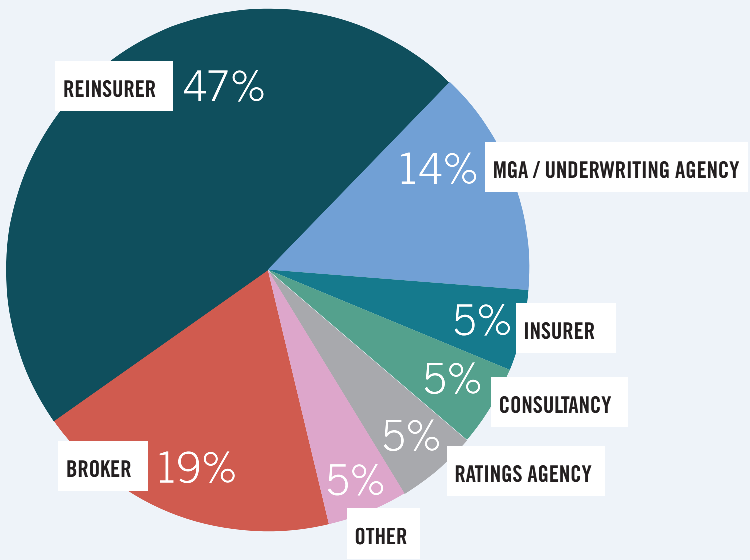
> **"With over 1,300 key delegates from 73 countries gathering here, the DIFC is excited to accelerate growth around the many areas that will, in one way or another, reshape the future of the industry."**
>
> **ALYA AL ZAROUNI**, CHIEF OPERATING OFFICER, DIFC

WHAT WILL MAKE US STRONGER

Al Zarouni underlined that key themes chosen for this year's DWIC conference are vitally important topics for the industry. These included capacity building, embracing innovation, nurturing AI, navigating volatile risk and developing talent.

She said: "With over 1,300 key delegates from 73 countries gathering in this venue, the DIFC is excited to accelerate growth around these areas, all of which will, in one way or another, reshape the future of the industry." ■

WHO WE HEARD FROM At what type of business do you work?



A finely balanced market

Global Reinsurance's annual RVS Benchmarking Poll for 2024 provided some interesting insights into the market mood ahead of reinsurance CEOs, underwriters, brokers, and their cedants congregating in Monte Carlo.

This year's survey garnered responses from more than 100 re/insurance market participants of varying stripes, with the different perspectives likely playing some part in cancelling out each other's relative interests in talking the market one way or another.

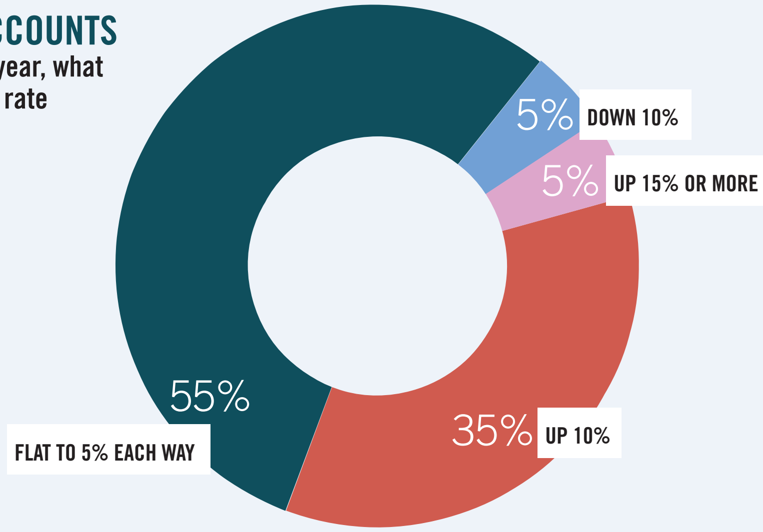
The results this year reflected the dramatic changes seen in the market over the past 18 months, returning to something more like equilibrium. The heavy price rises of 1/1 2023 are firmly in the rear-view mirror, it seems, and the market is beginning to contemplate gentle rate softening, while also showing robustness and discipline that left many respondents expecting pricing to be flat or within 5% each way this year.

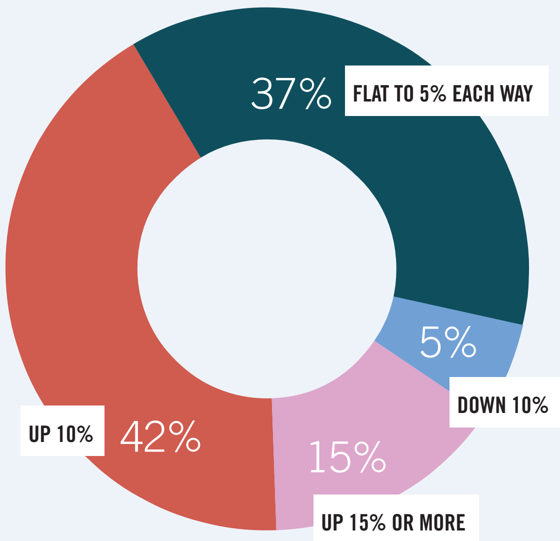
US WIND XOL PROPERTY TREATY ACCOUNTS

If they haven't experienced claims in the past year, what do you think will be the YoY aggregate renewal rate movement at 1/1 2025?

A majority of survey respondents thought pricing for US wind excess-of-loss (XoL) property treaty accounts would be "flat to 5% each way" at 1/1 2025, on aggregate for loss-free business.

However, a minority of respondents – perhaps reinsurers! – though that pricing should be up by 10% on the same basis.



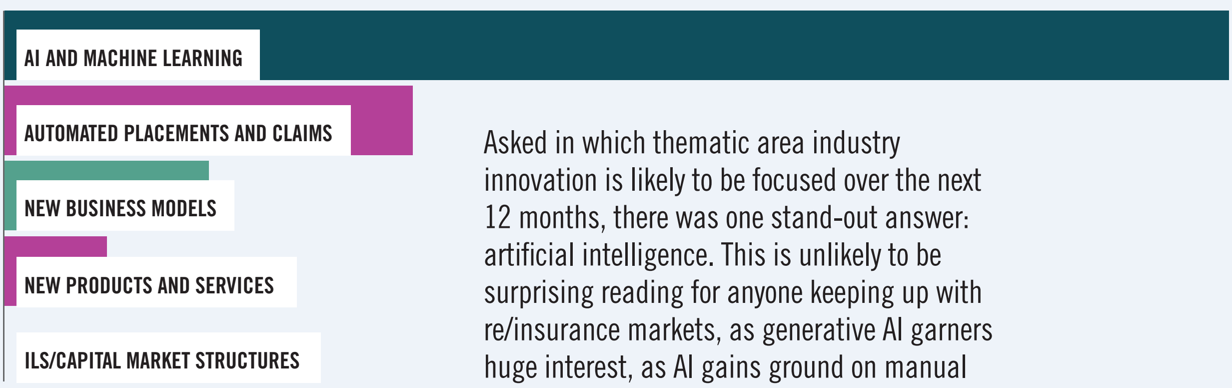


US CASUALTY / LIABILITY TREATY ACCOUNTS

What do you think will be the YoY aggregate renewal rate movement at 1/1 2025?

For loss-free US casualty / liability treaty accounts, the most popular answer (42%) was for a 10% rise in rate at 1/1 renewal. Another 37% of respondents thought such business would be flat or 6% either way. Some 15% thought there would be double-digit rises of 15% or more.

FRESH IDEAS **Where do you most anticipate seeing industry innovation over the next 12 months?**



Asked in which thematic area industry innovation is likely to be focused over the next 12 months, there was one stand-out answer: artificial intelligence. This is unlikely to be surprising reading for anyone keeping up with re/insurance markets, as generative AI garners huge interest, as AI gains ground on manual processes, from automating claims processes to facilitating data-led underwriting and portfolio management.

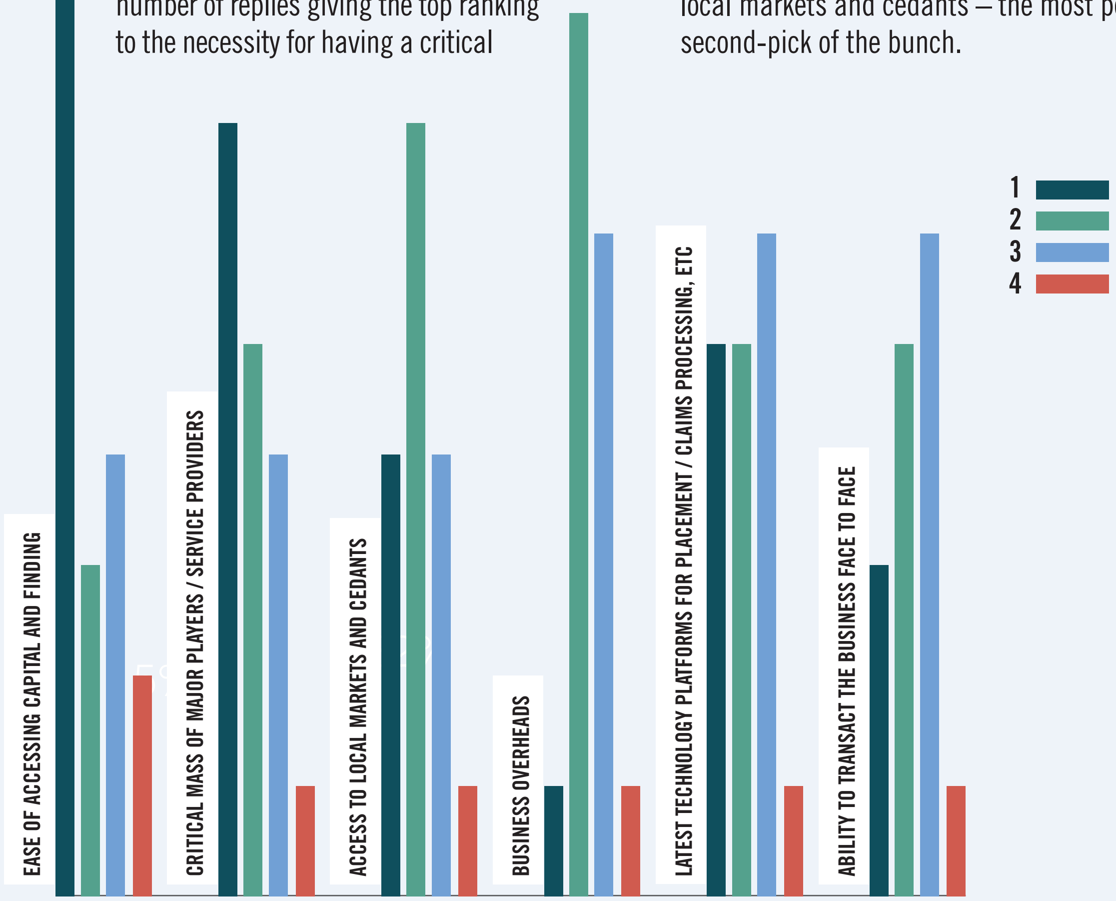
REINSURANCE HUB MUST-HAVES

Which of the following characteristics will be most important for reinsurance centres (e.g., Lloyd's and London/Bermuda/Dubai/Singapore) to succeed in the current environment?

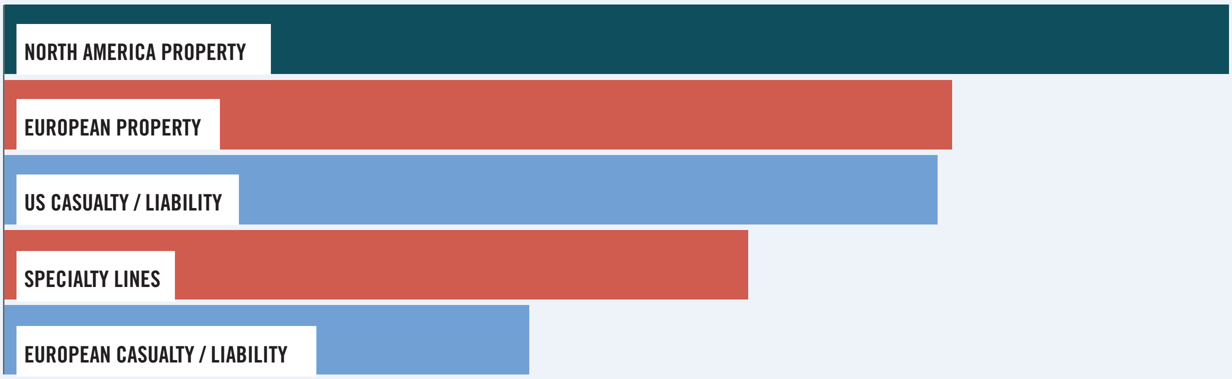
When asked to contemplate the issue of where to do business in the global reinsurance landscape, the characteristics of a successful reinsurance hub always make for interesting reading.

Ease of access to capital and funding was a runaway success as a factor for success, garnering most top spots in respondents' rankings, although it was followed by a significant number of replies giving the top ranking to the necessity for having a critical mass of major players and service providers as a worthy runner up. Again, those two things are rather complementary.

The second placed spot was more evenly distributed in respondents' rankings. Enjoying a conducive regulator giving the space to innovate was a popular second pick, as was the need to keep a lid on business overheads, and access to local markets and cedants – the most popular second-pick of the bunch.

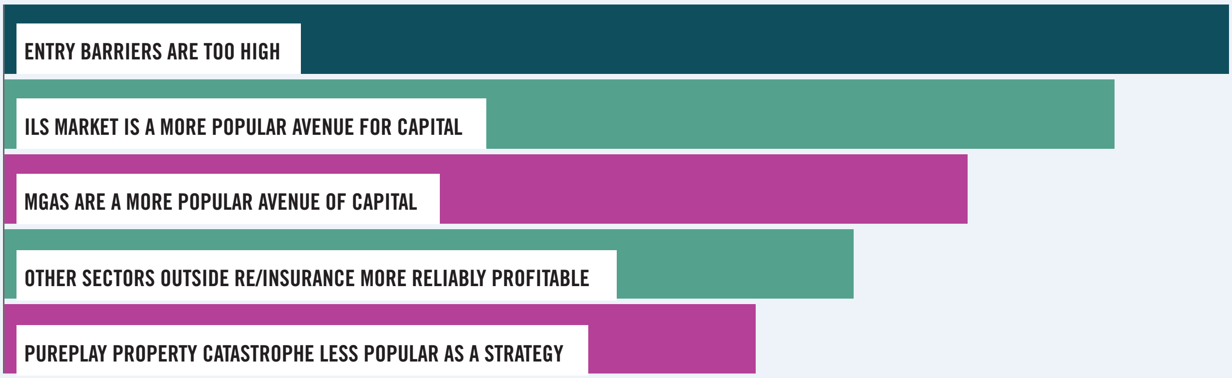


PRICING RISES Which classes of business will see the most change at 1/1?



When asked which classes of business will see the most change in pricing at 1/1, ranking the examples given from top to bottom, respondents were split relatively evenly. Narrowly ahead in the top ranking was North American property, followed by European property and US liability, followed by specialty lines, with European casualty business bringing up the rear.

NO NEWCOMERS Why haven't we seen a class of 2023/24 new reinsurers hit the market?



The survey also asked respondents why the sector hasn't witnessed a 'Class of 2023-2024' of new reinsurers being launched in the market (a theme also explored in the interview with two AM Best analysts on page 32).

The survey replies were relatively evenly distributed. High entry barriers for reinsurers came out on top, just ahead of the insurance-linked securities (ILS) market being seen as a more popular avenue for fresh capital – two answers which are by no means mutually exclusive, but together represent a compelling explanation.

However, the other options listed also garnered significant support. Similar to the ILS answer, MGAs were also characterised as a preferable way to deploy capital into the market, underwriting business for fees on behalf of capacity providers.

Less popular answers were the relative popularity of other sectors relative to reinsurance, something that has held the industry back previously, but perhaps there is some optimism following a year of roughly 20% returns on equity, halcyon days, for many reinsurers.

At the foot of the rankings was the suggestion that pure-play property catastrophe business is a thing of the past, based on the growth of attractive diversifiers such as specialty business. Perhaps property cat remains the shining light of the market, given its market-turning role and the high rates on offer.