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INTERNATIONAL REINSURANCE MARKET (A CHANGING ENVIRONMENT)

1. Reduced Capacities.
2. Hardening of Reinsurance Terms.
3. Global Increase in Losses Arising Out of Natural Catastrophes.
4. Considerable Increased Exposure from Natural Catastrophes in the Middle East/North Africa.
5. Aging Societies.
6. Increased Political Tension.

1. REDUCED CAPACITIES

(Billion \$)

2000 Year End	95
Less WTC Loss (70% of \$50BB to reinsurers)	(35)
New Capital	25
Reserve Strengthening	(18)
Investment Losses	(25)
Market Withdrawals	(5)
Available Capacity	37

2. HARDENING OF REINSURANCE TERMS (MORE SCIENCE THAN ART)

THE PAST

20% Science

80% Art

THE FUTURE

80% Science

20% Art

Accurate Figures

Little Information

Analysis

Personal relationship

Tools

Industry Practice

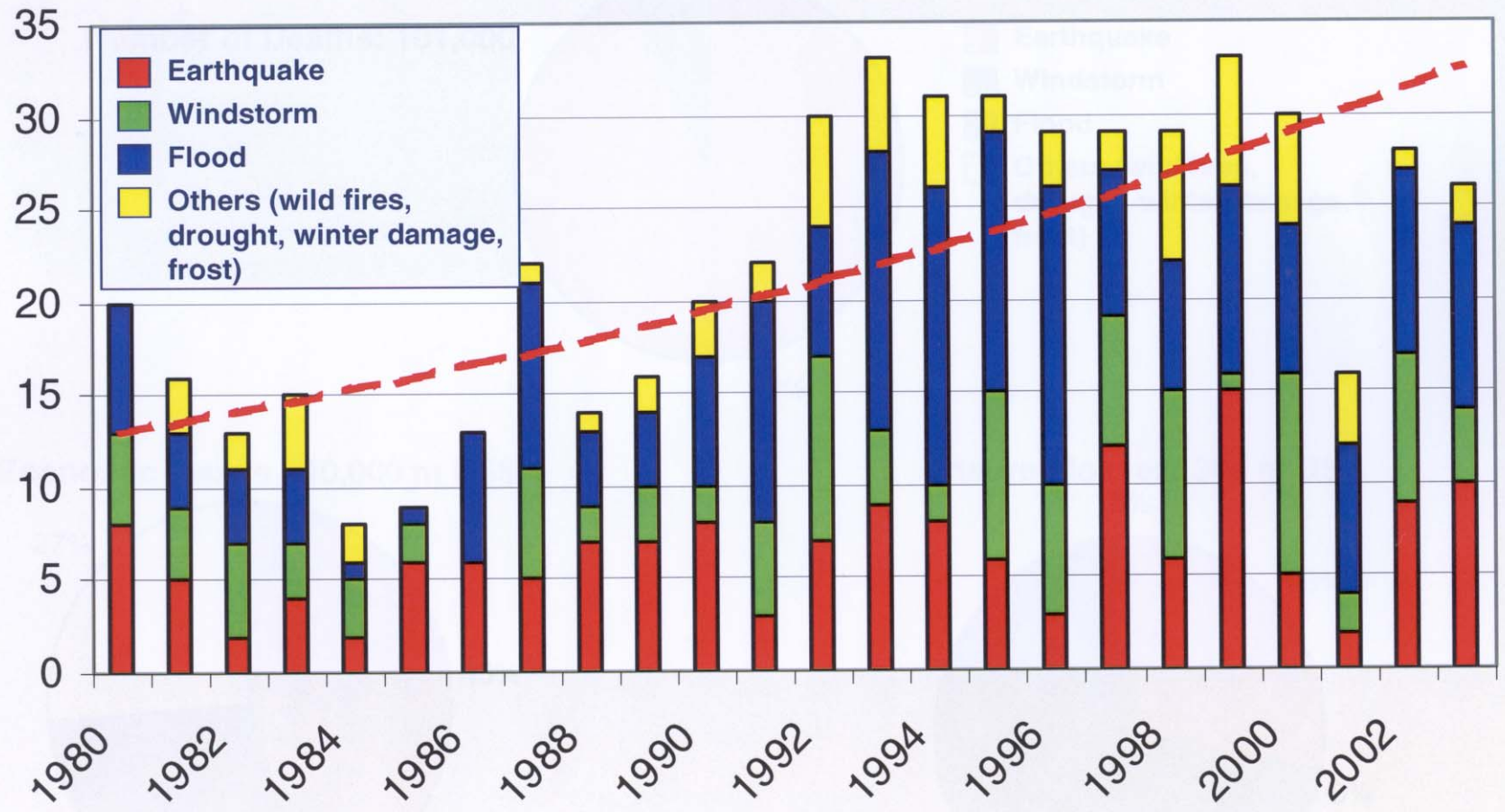
Expert Systems

3. GLOBAL INCREASE IN LOSSES ARISING OUT OF NATURAL CATASTROPHES

- Before 1983 not a single loss exceeded US\$ 1 Billion
- Between 1983 and 1990: Only three Insured Losses exceeded US\$ 1 Billion
- Between 1990 and 2000: Already 30 insured losses above US\$ 1 Billion (trend continues until today)

Natural Disasters in Middle East and North Africa 1980 – 2003*

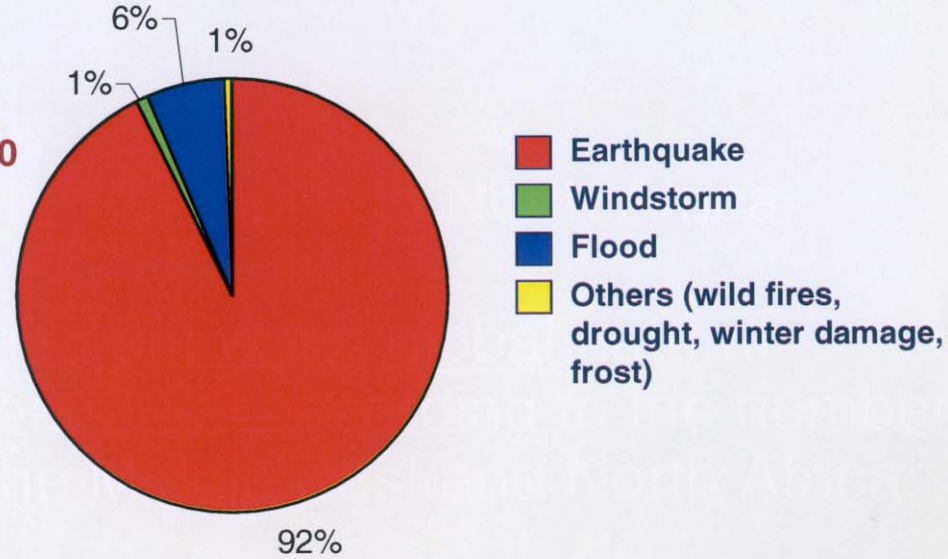
Number of events



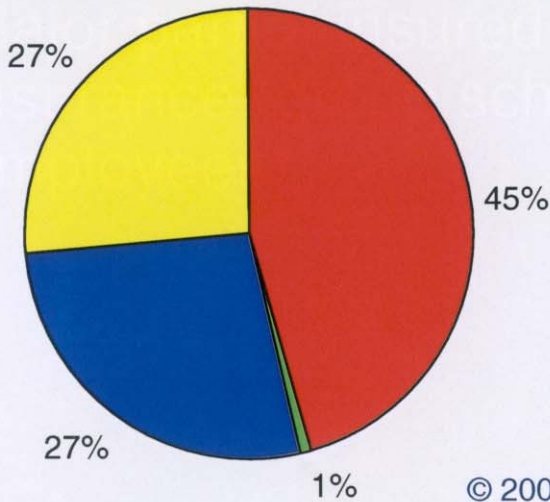
*loss events with economic loss >0.5m US\$

Natural Disasters in Middle East and North Africa 1980 - 2003

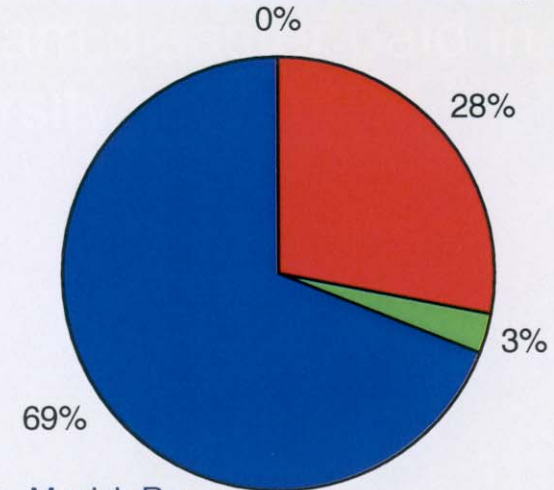
Number of Deaths: 101,000



Economic losses : 40,000 m US\$



Insured losses: 360 m US\$



5. AGING SOCIETIES

Aging Societies and social security reforms result in continued boom in life assurance, health and pension products.

II- REINSURANCE IN THE SAUDI MARKET

1. FACTS AND FIGURES

A) Premium Reinsured (2002)

(US\$ Million)	Gross Premium	Reinsured Premium	Percentage (%)
Motor	203	16	8%
Medical	250	77	31%
Marine	72	50	70%
Engineering	59	51	86%
Fire & Property	148	127	86%
Aviation	56	55	99%
Energy	24	24	100%
Others	<u>91</u>	<u>42</u>	<u>46%</u>
Total	903	442	49%

Question: Can we practically apply the 30% compulsory local cession ?

B) REINSURANCE RESULT (2002)

	<u>(US\$ Million)</u>
Reinsured Premium	442
Reinsured Claims	<u>340</u>
Gross Result	102
Less: R/I Commission Paid (at 30%)	<u>(132)</u>
Net Loss to Reinsurers	(30)

N.B.: Operating expenses not included.

2. LOCAL SAUDI REINSURANCE COMPANY

A) Opportunities

1. Compulsory cessions by local insurers.
2. Potential growth of market volume (compulsory insurance)
3. Insurance developing fast.
4. Need of reinsurance capacity.
5. Hardening of International Reinsurance Markets.
6. Know how of local market.

2. LOCAL SAUDI REINSURANCE COMPANY

B) Challenges

1. Insufficient reinsurance premium available in the Saudi Market with enough capital/reserves of local insurance companies to retain more profitable business.
2. Concentration of exposure in one market if capacity not offered regionally.
3. Lack of local reinsurance expertise.
4. Expensive retrocession cost.
5. Volatile classes of insurance requiring reinsurance (i.e. Fire, Engineering).
6. Increased political tension in the area.
7. Establishment of more than one reinsurance company.
8. Regulatory restrictions on investments.

2. LOCAL SAUDI REINSURANCE COMPANY

C) Criteria of Success

1. Offering tailor made products to the local market (Takaful, S & T cover, etc...)
2. Non reliance on reinsurance from the local market as the main source of business.
3. Selective and scientific underwriting (quality not quantity).
4. Partnership attitude with local insurers not opportunistic attitude.
5. Sound management.

3. Other Alternatives for Local Reinsurance

a. Pooling

b. Coinsurance

c. Local reinsurance placements

III. LONG TERM PARTNERSHIP

(OPPORTUNISTIC vs PARTNERSHIP APPROACH)

1. Main Partners in a Risk.

- The Insured
- Insurer
- Re-insurer
- Government/Regulators
- Brokers/Intermediaries

2. Dialogue between partners.

- The Insured, Insurer and Re-insurer need to agree as to what the risk is and what the adequate price for the exposure is.

3. Return on reinsurance capital should be accepted by primary insurers.

III. LONG TERM PARTNERSHIP

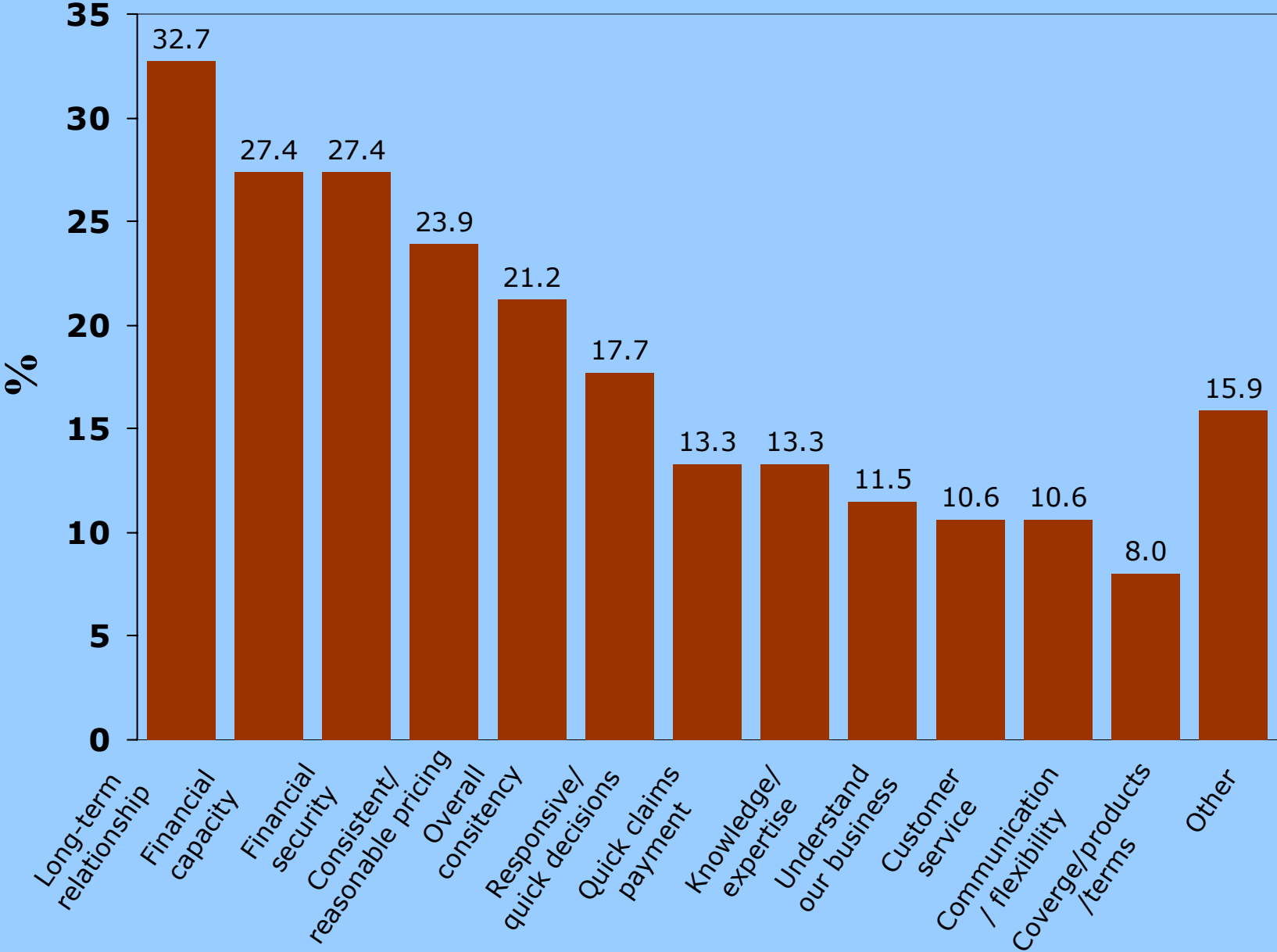
(OPPORTUNISTIC vs PARTNERSHIP APPROACH)

- 4. Financial Stability of the Re-insurer is the long-term security for the primary insurer**

- 5. Adequate pricing.**
 - a. Prices and terms should be geared up to exposure
 - b. The Insured is responsible to pay the right price
 - c. Risk management on the side of the insured increasingly important
 - d. Competition has to shift from price to quality

- 6. Transparency between partners is essential.**

What do you really want from your reinsurer ?



CONCLUSION

**“ LET’S FIND SCIENTIFIC ”
SOLUTIONS**

BY ACTING AS

“ REAL PARTNERS ”