

FACING THE WITHDRAWAL OF USA AND EU REINSURERS

By Joseph Zakhour

Information at hand would verify that US and E.U reinsurers, whose ties with the local Arab markets began over a century ago, have withdrawn or reduced their commitments to the region, thus leaving local insurers in no position to provide investors with the protection they need at this juncture.

Statistics compiled by Al Bayan and published in its “Ranking special issue” of October 2011 indicate that insurance capitalization in the Mena region is already above \$ 3 billion

That capitalization is however fragmented, and must be consolidated if it were to be used as an efficient tool protecting assets enough not to let them flee away.

For Arab Insurers and reinsurers to meet the challenges facing them, they will have to pledge parts of their capitalization to create a Pool or Pools

whose task would be to fill the vacuum resulting from the US and EU reinsurers' withdrawal from some of Arab insurance markets.

Such Pool or Pools should be able to underwrite political violence risks for their own net account, with support from Afro Asian and BRICS Reinsurers when available.

Should Arab Insurers and reinsurers manage to put such Pool or Pools in place, that will in effect mean that they finally resolved to do their job, using their own resources, and knowledge, protecting businesses with or without support from US or EU reinsurers.

We in Lebanon, managed to form a Banking Risks Pool (BBB Pool) when reinsurers decided to abstain from writing those risks, in our country between the years of war 1975-1990 leaving our relatively small insurance companies out in the cold. Had we not done so, the banking system would have had enormous difficulty continuing to service the economy, and we, as insurers would have lost our raison for being.

As is the case nowadays, reinsurers attributed their exodus to chaos and violence which were then going on in Lebanon. The Lebanese BBB Pool operated for the Net Account of its members, limiting its exposure to limits within its financial capacity, imposing on the banks insured, deductibles and safety measures as then deemed appropriate, charging premiums commensurate with the risks insured, with no retrocession made to foreign reinsurers.

The Pool achieved excellent results, and it is only after peace returned to the country that reinsurers in 1991 came back and offered to support us with abundant capacity.

Arab Insurers and Reinsurers are now much stronger than the Lebanese insurers were in the seventies of last decade, and should therefore, have no difficulty forming Pool or Pools which will ably respond to the businesses needs, and help them ensure their continuity.

Should Arab Insurers and reinsurers fail to form such Pool or Pools, it would then be right to say that nothing changed in the Arab markets, and Arab Insurers and Reinsurers have not gotten conscious of their mission as “guarantors” of the national economy nor do they find it worthwhile to reassess their role, or commit themselves to any drastic change in their excessive dependency on foreign reinsurers..

That said, the Arab Insurance Conferences wherever and whenever held, would continue to be a venue for social events during which participants meet, dine and wine, and watch in the same time the belly dancers do their body talking.

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