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INSURANCE IN THE MENA REGION

January 2010



Your Investment Reference

For your Queries

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1 Executive Summary

Insurance has witnessed multiple phases of evolution before manifesting in its current form. From Mediterranean sailors and merchants in ancient Babylon paying a fee to the lender to cover shipment losses, to modern financial institutions paying a premium to protect against a credit default, insurance has come a long way. In fact, the types of insurance products available today are best left to the extent that one can imagine or an underwriter can calculate. What follows in this report is a look at the current state of the industry across the world and particularly in the context of the Middle East and North Africa (MENA) region. What makes this review interesting and challenging are the numerous inter-linkages that exist in modern economies and their interplay, as far-reaching changes continue to sweep the financial world since 2008.

The fundamental model of the insurance industry revolves around two key activities – underwriting and investing. The former is regarded as the core activity of an insurer involving the assessment of risk and the evaluation of a suitable premium in return. Investing, on the other hand, has generated the maximum buzz in recent times given the massive capital market downturn and asset devaluation. A combination of the cash flows associated with the two activities defines an insurer's profitability. While underwriting profitability is measured through the 'combined ratio', investment profitability is the return on profits by investing the float, which is the available unclaimed reserve.

Modern insurance can be broadly categorized into life and non-life segments, both of which have some unique characteristics determined by the dynamics of underwriting and investing activities. While life insurance closely revolves around investments in unit-linked and single premium schemes, non-life tends to be more closely related to sound underwriting standards for varied risk types. Consequently, non-life premiums are not affected significantly in economic downturns, while life premiums see a decline due to the weakness in capital markets. For the first time since 1980, premiums declined in real terms during 2008. As expected, life premiums witnessed a sharper dip compared to non-life, with the former accounting for almost 58% of the total worldwide premiums. While underwriting performance of non-life remained strong – as ascertained by net claims – investment returns fell sharply in both life and non-life lines of business. Except for US monoliners and some other insurers in the US and Europe, most companies had sufficient risk capital to absorb the losses.

While losses in non-life are borne by shareholders or reinsurers, the losses in life insurance are shared between insurers and policyholders. However, unlike financial institutions, the risk of funds getting withdrawn is not as pronounced. Non-life claims are tied to specific insured loss events and premature claims on life policies are loaded with heavy penalties to deter redemptions. As long as insurers maintain the float to suffice steady claim volumes, they are not under pressure to dissolve assets in a weak market scenario. Therefore, in an ideal situation, the industry would expect to remain rather insulated from the otherwise massive write-downs that financial institutions were forced to absorb as a result of their investments.

The catch however lay in the exposure that insurers undertook either in the form of investments in mortgage-backed securities or underwriting derivatives like Credit Default Swaps (CDS). Case in point is AIG, where most of the bailout funding was to cover for collateral payments to CDS buyers that were under pressure due to asset devaluation and credit defaults. In many ways, this was similar to what an insurer terms as a catastrophically large loss due to aggregation, wherein a single event drives claims by multiple insured parties simultaneously as in the case of a natural calamity like an earthquake or a hurricane. The fundamental principle of underwriting such aggregated risk scenarios lies in ensuring that the capital is sufficient to address the combined claims. With the exception of a few specific cases, most of the industry's pain during the recent crisis was a result of the decline in investment value and not due to the core insurance side of the business.

The 3.5% decline in life premiums comprised of a sharp decline in developed countries (-5.3%) offset by strong growth in emerging markets (15%). Much of the underwriting weakness in non-life was on account of multiple natural catastrophes including hurricanes, thunderstorms and tornadoes in the US, Europe and China. However, as an indirect impact of the weak economic environment, demand for insurance cover saw a decline; though emerging markets still managed to record a 7% growth in premiums.

The emerging economies in the MENA region were not unaffected by the economic crisis. Most market indices fell sharply since the second half of 2008 after oil prices started their southward journey. Many initiatives by governments to fund development projects from oil windfalls accumulated in recent years were faced with the risk of delays or cancellations. Real estate prices tumbled, casting a shadow on the recent spate of activity triggered by the boom, particularly in the UAE among others. However, despite the weakness, many governments decided to stay on course with plans related to the economic

diversification to increase the share of revenues from non-hydrocarbon sectors. This, to some extent, arrested the otherwise severe slowdown in economic activity that threatened to hit harder than it actually managed to.

The insurance industry in the MENA region is comparatively young and underdeveloped as reflected by its lower penetration, insurance density and the total quantum of premiums. The region contributed only about 0.3% of the world's insurance premiums in 2008. Even intrinsically, premium contribution stood at just about 1% of the GDP as opposed to 7-10% seen in the more developed markets like the US and Europe. On a brighter note for the industry however, premiums grew at an impressive CAGR of around 20% over 2003-08. Non-life still contributes more than 80% of the total premiums in the region, mainly due to the religious sensitivity of the concept of life insurance. The situation is changing with the emergence and acceptance of Islamic life insurance products that have helped life premiums to grow rapidly in recent years. Saudi Arabia, for instance, saw life premiums grow by a searing 65% in 2008. The other main drivers behind the industry's growth in the region relate to the unique population dynamics and the role of expatriates in the overall scheme of things. Regulation remains another key variable with initiatives like mandatory health and motor insurance cover in recent years contributing significantly to the growth in non-life.

The financial turmoil and the subsequent economic slowdown that reached its apex in 2008 prevail even as the world waits to usher in 2010 in a few months. Experts around the world had predicted that the second half of 2009 will bring some relief to capital markets and asset valuations. While that definitely seems to be the general direction in which most markets are headed, a lot needs to happen before a sustained recovery is affirmed. The 2009 and 2010 outlook for the insurance industry remains mixed. Investments may witness some momentum, but will generally remain subdued till mid-2010 according to most estimates. Non-life insurance premiums will likely see a recovery in 2010 as discretionary consumer spending goes up triggering the need for increased insurance. Life premiums will also witness an increase as capital markets pick up and investor sentiment turns positive towards unit-linked schemes.

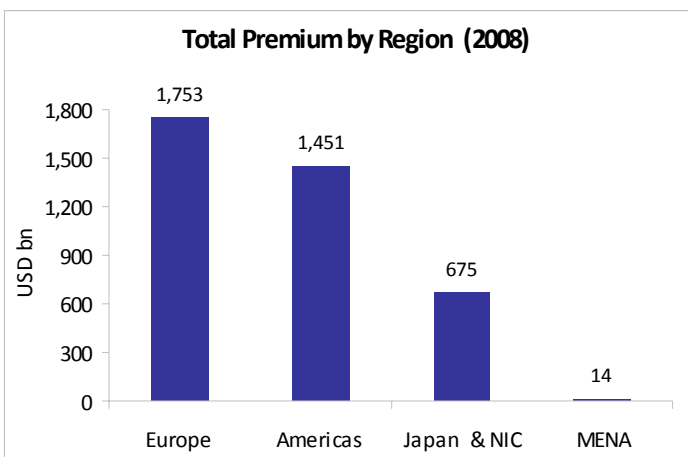
The MENA region will follow the general direction of the world industry. However, the unique demographic structure and the nature of the industry could manifest in certain characteristic marked trends. Islamic insurance (Takaful) products will continue to drive life premiums upward, supported by the large Muslim population. Conventional life products will witness growth on account of the large number of expatriates, particularly in the oil-rich GCC countries. Many international insurance companies are looking for potential tie-ups and alliances in order to increase presence in an underpenetrated high-growth market. The competition will push local insurers to boost marketing efforts to protect market share and will help the industry evolve to the next level with increased awareness and product options.

2 An overview: MENA region vs. the World

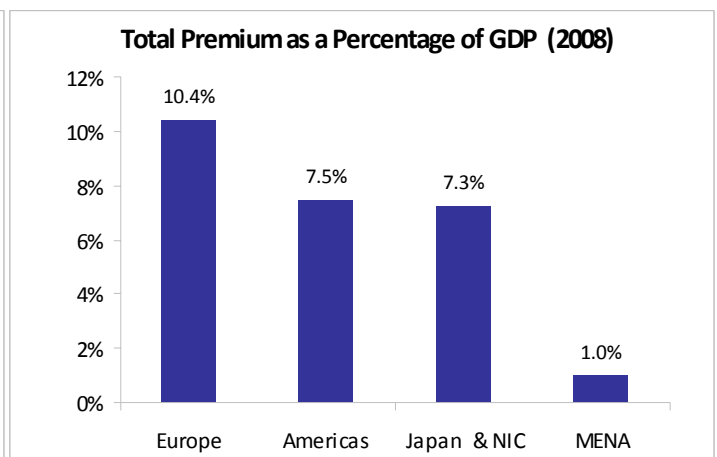
2.1 A big difference in size

The insurance industry in the Middle East and North Africa (MENA) region is in its nascent stages as compared to other more developed world economies. This is evident from the low penetration and density, undercapitalization, and a largely underdeveloped legal and regulatory support system. During the past five years however, insurance in the region has posted strong double-digit growth. Although these growth rates are significant, the region still has a long way to go before becoming an insurance hotspot. According to information from Swiss Re and other public sources, total premiums in the region amounted to USD 14 bn during 2008. This puts the region way behind in the league compared to the developed insurance markets like Europe, the Americas (North and Latin America including the Caribbean), Japan and the newly industrialized countries (NIC) such as Hong Kong, Singapore, Taiwan and South Korea.

The MENA region accounted for a staggeringly low 0.3% of the world's insurance premium in 2008, which is indicative of the scope for growth in the industry. The region also lags in terms of total premium as a percentage of GDP which also indicates limited intrinsic uptake of insurance products. Insurance contributes only about 1.0% to the GDP of the region, which is significantly less than other world insurance markets.



Source: Swiss Re, Blominvest

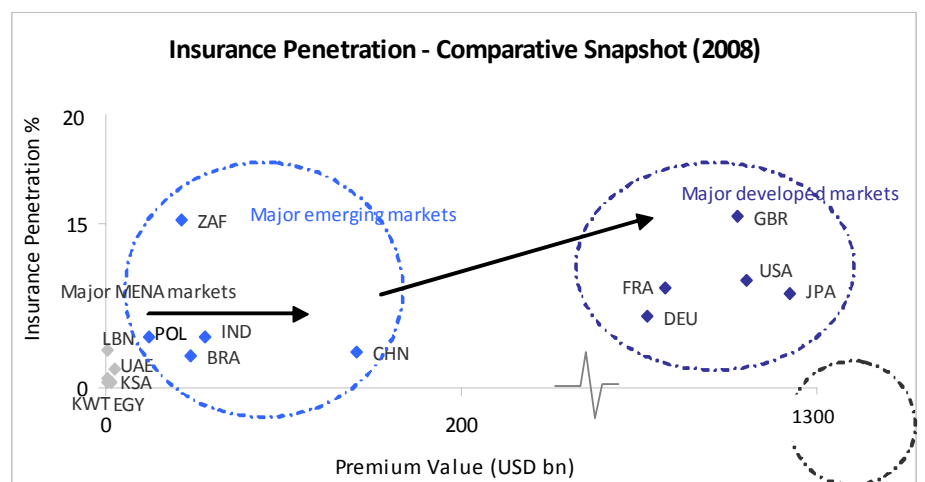


Source: Swiss Re, Blominvest

2.2 MENA lags behind emerging and developed markets

The MENA region lags behind other emerging and developed markets in terms of both insurance density and penetration averages, which are the generally accepted indicators of a market's overall maturity. While insurance density is defined as total premium per capita, insurance penetration is calculated as the percentage of insurance premiums with respect to Gross National Product.

During 2008, insurance penetration in the MENA region stood at 1%, which was measurably lower than the 10% average for developed markets like the Americas, UK, Japan, France and Germany. Within the region, Lebanon fared the best with a penetration of 3%, while Saudi Arabia and Kuwait ranked last with penetration of just 1%. Across the developed markets, the United Kingdom witnessed the highest penetration of 16%, while Germany with 7% appeared at the bottom. The MENA region

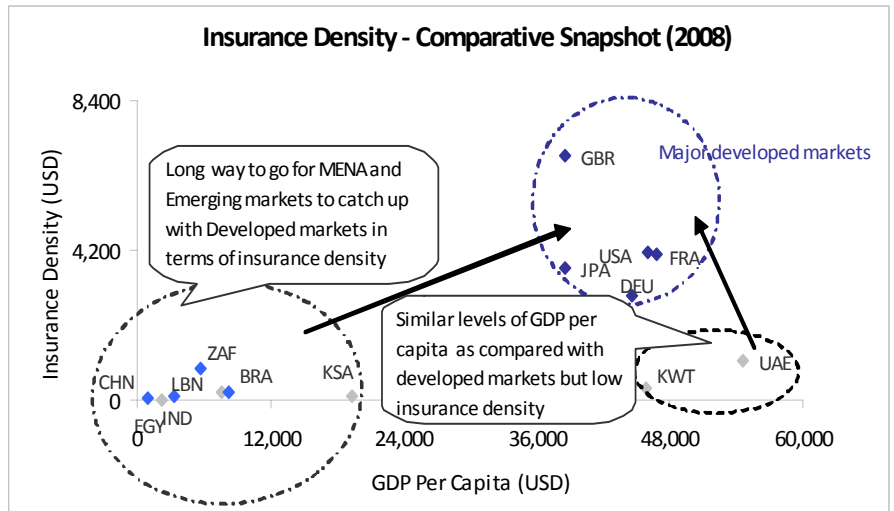


Note: Not to scale

Source: Swiss Re, Blominvest

lags behind even emerging markets like the BRIC countries, South Africa and Poland, where the average penetration hovers around the 6% mark.

Insurance density, too, stands low in the MENA region compared to emerging markets in general. The gap is even wider when compared with developed markets. The insurance density figure for emerging markets is in the range of USD 47-871, while this stands in the range of USD 2,919-6,858 for developed markets. Here again, the UK emerges on top while Germany trails the list. Among the emerging markets, South Africa ranked first with density of USD 871, whereas India ranked last with density of USD 47. The UAE leads the pack within the MENA region, while Egypt ranks the lowest.



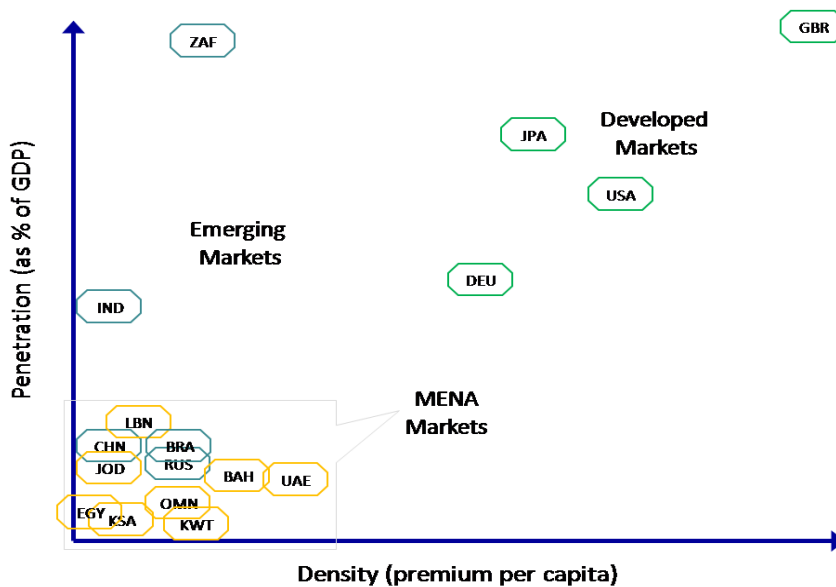
Source: Swiss Re, Blominvest

Insurance Density (premium per capita)

	UAE	KSA	Kuwait	Lebanon	Egypt	Qatar	Oman	Bahrain	Jordan
USD	1,114	121	313	213	18	N.A.	218	589	74

Source: Swiss Re, Blominvest

Insurance in MENA is Still Relatively Underdeveloped vis-à-vis Most Emerging and Developed Markets



* Not to Scale

Source: Swiss Re, Blominvest

2.3 Capitalization of MENA insurers significantly lower than global counterparts

Global and MENA top 10 Insurers by Capitalization (USD mn)							
Global Insurers	2007	2008	Y-o-Y (%)	MENA Insurers	2007	2008	Y-o-Y (%)
Berkshire Hathway	120,733	109,267	-9%	Dhofar Insurance	78	72	-7%
AIG	95,801	52,710	-45%	Qatar Insurance	933	704	-25%
Metlife	35,179	23,734	-33%	Abu Dhabi National Insurance	605	490	-19%
All state Corp	21,851	12,641	-42%	Oman Insurance	643	452	-30%
Sun Life	18,481	18,558	0%	Kuwait Insurance	321	170	-47%
Allianz	65,474	49,603	-24%	Gulf Insurance	320	279	-13%
Axa	62,578	55,134	-12%	Emirates Insurance	383	220	-43%
Zurich Financial Services	28,943	22,103	-24%	Qatar General Insurance and Reinsurance	1,162	1,160	0%
Prudential	23,457	13,422	-43%	Arab Orient	134	163	22%
Swiss RE	38,237	22,122	-42%	Arab Insurance Group	298	240	-20%
Average	51,073	37,929	-26%	Average	488	395	-19%

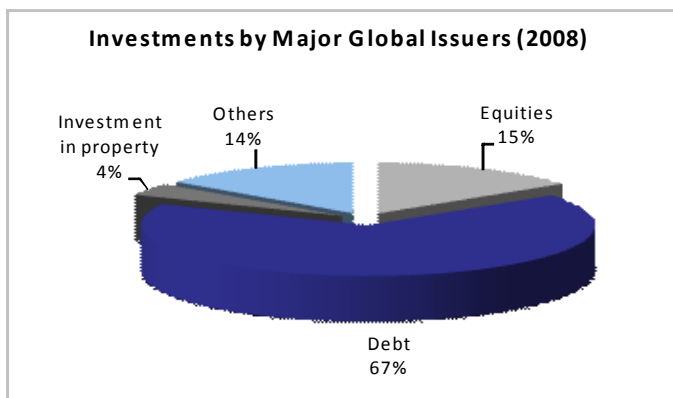
Source: Company annual reports, Blominvest

The capitalization level of insurance companies in the MENA region averages around USD 395 mn compared to USD 38 bn for the top 10 global counterparts. Over the years, the overall capitalization of insurers in the region has remained stable, albeit low. Unlike their global counterparts, many insurers have traditionally not issued debt given that regulatory restrictions affect debt issuance in certain markets. Therefore, from a credit perspective, their capital structures are comprised purely of share equity and retained profits, and consequently, are of relatively high quality in comparison. They score favorably on overall financial flexibility owing to minimal constraints that often come with debt issuances.

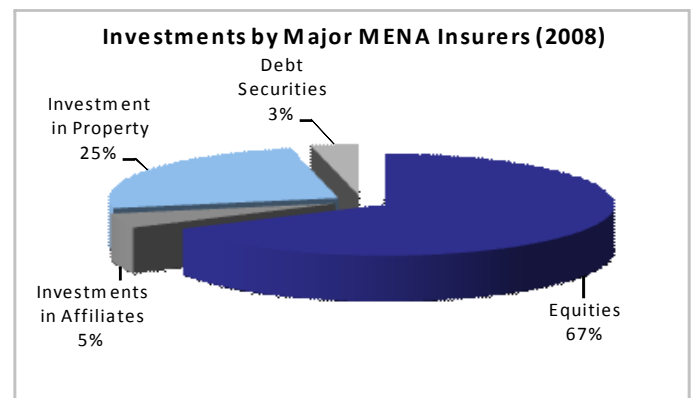
The available capital of insurance companies comprises of shareholders' equity and the coverage from reinsurers. The reserve maintained by insurance companies is used towards funding current liabilities arising out of claims. In banks, deposits are at the mercy of the depositors. However, claims on insurers are inherently restricted by being tied to specific events (like accident, death etc.) and loaded with penalties for premature closures. Insurers are still required to maintain a certain level of capital reserve, calculated based on the probability and quantum of claims in a steady-state scenario. Although, the capital base of most insurers in the MENA region is stable, risk-adjusted capital adequacy is not calculated or monitored well enough, due to the limited application of modern risk management techniques. However, the situation is gradually improving with more insurers assessing risks and capital reserve requirements in line with developed markets like Europe and North America, where such practices are more mature.

2.4 High investment exposure to equities and property compared to global counterparts

Insurers in the region have a higher percentage of investments in regional equities and property, implying greater concentration



Source: Company annual reports, Blominvest



Source: Company annual reports, Blominvest

risk within their portfolios. Nevertheless, long term investment performance has been good but volatile. The region’s capital markets are generally less sophisticated and transparent compared to the American and European markets. In contrast with Europe and America, Middle East insurers often run far more investment risk than insurance risk. This is understandable given the inclination for higher investment returns, while the ability to evaluate and control insurance risk is still maturing.

Furthermore, in some cases, insurers have used leverage to fund further equity and property investments, which is particularly a risky strategy. On the other hand, insurers in US and Europe have confined investments largely to debt securities maintaining very low exposures to equity and real estate.

2.5 Insurers are not immune to the crisis

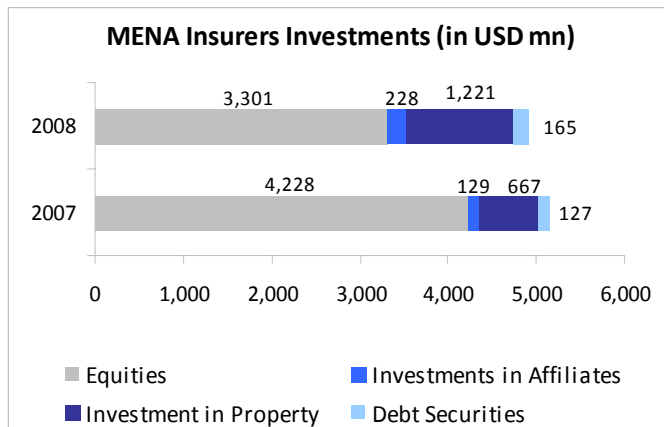
The world continues to be in the midst of an economic downturn as a result of the most severe financial shock in mature markets since the 1930s. Many developed countries entered the year 2009 on a negative note and growth has remained slow across all markets. There are signs of a recovery but it will take months before the scars heal and the sentiment turns around for good.

Insurers invest in assets to match liabilities, and generally target to diversify across an array of high-quality investments. According to Swiss Re’s special report titled ‘Global Insurance Review 2008 and Outlook 2009’, insurers globally hold about USD 18 trillion in total assets. Of this, shareholder capital, which is a means to cushion against fluctuations in claims and asset pricing, comprised about USD 2.2 trillion.

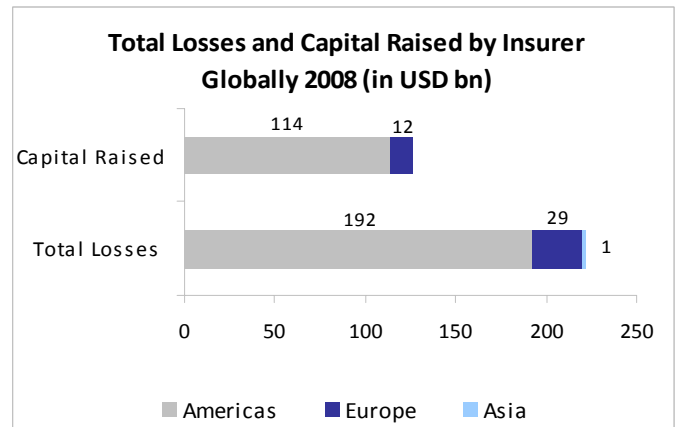
World’s Top 10 Insurers by Losses and Capital Raised (USD bn)		
As on Dec 31, 2008	Total Loss	Capital Raised
American International Group, Inc.	87.3	91.8
MetLife, Inc.	12.8	2.3
Ambac Financial Group	12.1	1.4
Hartford Financial Group	11.9	3.0
Prudential Financial, Inc.	9.0	3.0
Aegon NV	7.9	4.1
Allstate Corp	7.2	0.0
Swiss Re	6.4	2.6
MBIA Inc	5.9	1.0
Genworth Financial, Inc.	4.6	0.0
Total	165.1	109.2

Source: Bloomberg, Blominvest

However, the seismic waves that rocked the financial markets during 2007-08 were the first real test for many insurers. The severity of the impact was evidenced by the shift in fortunes of some of the biggest industry names like AIG. Additionally, mono-line insurers booked huge losses due to their extensive exposure to various structured financial instruments. The impact was not only felt in US, but also in Europe, where ING and Allianz Dresdner declared massive losses and Fortis went through a complete structural break-up. Yet another instance was that of Swiss Re whose structured insurance solutions and financial markets division was closed following huge losses that led to the departure of the CEO.



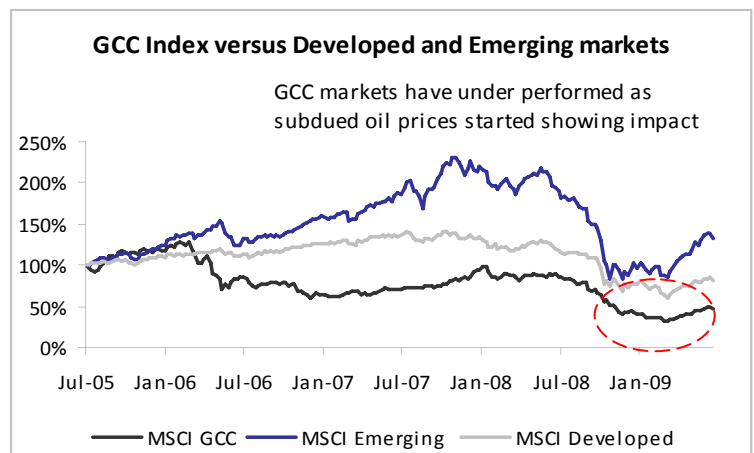
Source: Bloomberg, Blominvest



Source: Company annual reports, Blominvest

As of December 2008, insurers worldwide had lost USD 222 bn in write-downs and credit losses. About 86% of this or USD 192 bn was accounted for by insurers in the US alone. European insurers lost about USD 29 bn and the rest was accounted for Asia, particularly Japan. In order to stem losses and to ensure better financial health, nearly USD 126 bn of fresh capital had been raised by December 2008, 90% of which was applied to companies in the US, while Europe made up for the rest.

The economies and financial markets in the MENA region have not been immune to the global situation. Investments and projects have slowed down in Dubai, Bahrain and Kuwait, especially after oil prices dropped to around USD 31 per barrel, down from a previous high of USD 145 in July 2008. The widespread liquidity crunch prompted banks to cut down lending and tighten appraisal norms. According to a latest report by Kuwait Financial Centre (Markaz), it is estimated that projects worth USD 178 bn or roughly 16% of the current total of USD 1.1 trillion have either been cancelled or put on hold. The flow of foreign funds into the region via stock investments and deposits reversed course as overseas investors withdrew from the markets as well. Some financial institutions came to the verge of default towards the end of 2008. As mentioned earlier, insurance companies in the region carry higher investment exposure to regional equities, and consequently, have been hit by the sharp fall in equity valuations. Equity portfolios of major insurers lost as much as 22% during 2008 and stood at USD 3.3 bn, down from USD 4.2 bn in 2007. Furthermore, equity markets in the GCC countries have witnessed a greater fall in value compared to their western counterparts. As a result, the capital base of many regional insurance companies is under pressure due to the steep decline in the value of local stocks and real estate. In fact, the outlook for six regional insurance companies was rated negative by Standard and Poor's due to the continued pressure. This includes Emirates Insurance Company of Abu Dhabi, Tawuniya Insurance Company of Saudi Arabia, Dubai Islamic Insurance and Reinsurance Company (Aman) and Oman Insurance Company. The situation could lead to some consolidation as the urgency and gravity of preserving their capital base mount. Even though local exchanges have witnessed a slow recovery, the volatility and the corresponding stock market movements in Q109 are not helping insurance and reinsurance companies, which have significant exposure to the local markets.



Source: Bloomberg, Blominvest

2.6 MENA insurers: sound operating performance despite high volatility

The underwriting performance of an insurer is usually measured in terms of its combined ratio, which is defined as the total underwriting expenses and investment losses as a percentage of premiums earned. This ratio is often also used as an indicator to measure the profitability of an insurer. A combined ratio of less than 100% indicates underwriting profitability, while anything over 100% implies a loss. The average combined ratio for the MENA region stood at less than 100%, which scored favorably when compared to the 105% average in case of a US insurer. The difference was mainly on account of higher claims due to catastrophic losses arising out of hurricanes Ike and Gustav along with other smaller incidents in mid-2008. Another contributor to the difference in recent quarters has been the higher underwriting loss on mortgage and financial guarantees. However, the overall performance of a MENA insurer has been volatile due to the high level of equity and property investments. In addition, the average ROE has been discouraging due to the high degree of equity capital holding. Insurers in the MENA region have registered generally consistent underwriting profits as a result of more conservative underwriting policies. However, unlike their American and European counterparts, insurers in the region produced higher investment returns in recent years on account of the real estate and stock market boom. With the cooling-off of the region's stock markets and the slump in real estate, volatility and risks are now on the higher side, making the quality of these margins rather unpredictable with funds/insurers having limited investment options.

2.7 Enterprise Risk Management still taking shape

Enterprise Risk Management (ERM) is the most significant area of difference between insurance companies in the region and those in developed countries. With regards to this aspect of risk management, Middle East insurers rank much lower than their American and European counterparts. In other countries, regulatory authorities make it mandatory for insurers to follow norms related to risk management at an enterprise level. The Financial Services Authority (FSA) in the UK is one such example of regulatory oversight towards good ERM practices.

ERM is still in its infancy in the MENA region. A typical insurer from the region has an unstructured approach to risk evaluation, particularly in relation to its investment portfolio. There is little understanding of risk-based capital adequacy as well. Besides, the rather small size of insurers in the region reduces the need for highly complex ERM implementations. On the positive side,

MENA insurers have satisfactory underwriting/insurance risk controls. Further, companies in the region have understood the need to develop more sophisticated controls and overall risk management methodologies going forward.

Looking ahead, a critical strategic initiative for many insurers in the region will involve the development and adoption of robust ERM frameworks in order to evolve a more systematic risk management approach. Catastrophic losses, such as those witnessed after Oman's super cyclonic storm (Gonu) in 2007, underscore the importance of insurers being aware and forearmed towards potential limits of exposure.

3 Industry Structure in the MENA region

The cumulative insurance premiums in the MENA region for 2008 amounted to USD 14 bn, which included USD 3 bn in life and USD 11 bn in the non-life segment. Total premiums recorded a CAGR of 19% during 2003-2008. The life insurance market in the MENA region expanded 24% during 2008. Almost all countries in the region contributed to this premium growth. Saudi Arabia, which is still a very small base, registered growth of 81% boosted by the increasing popularity of Shariah-compliant insurance. In 2008, non-life insurance in MENA increased 31% due to strong growth in Saudi Arabia and UAE. Compulsory lines, such as motor and health, continued to bolster growth in these markets. As of 2008, the three largest insurance markets by total premiums in MENA were the UAE, Saudi Arabia and Egypt.

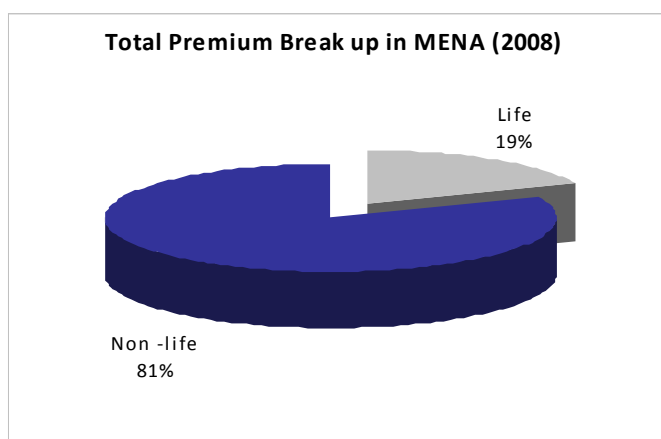
Snapshot of the Insurance Industry in the MENA region (2008)									
	UAE	KSA	Egypt	Qatar	Lebanon	Kuwait	Oman	Jordan	Bahrain
Life premium (USD mn)	937	158	635	83	290	211	109	51	129
Non-Life premium (USD mn)	4,079	2,912	754	1,078	590	703	470	401	322
Life Insurance premium/capita(USD)	208	6	8	95	70	72	41	8	168
Non-Life premium/capita(USD)	906	115	10	1,239	143	241	177	66	421
Life Insurance penetration (%)	0.4	0	0.4	0.1	1.1	0.1	0.2	0.3	0.6
Non Life Insurance penetration (%)	1.6	0.6	0.5	1.7	2.3	0.5	0.9	0.3	1.4
No of insurance companies	42	39	11	8	29	13	22	30	31
No of listed insurers	26	21	2	5	0	7	5	26	5
Market cap (USD mn)	7,302	5,973	137	3,971	N/A	1,889	488	831	539
Industry assets (USD mn) – as of Dec 2007	7,360	470	3,870	2,630	1,250	2,840	897	785	2,290

Source: Bloomberg, Swiss Re, BMI, Insurance associations & regulators, Various news agencies, Blominvest

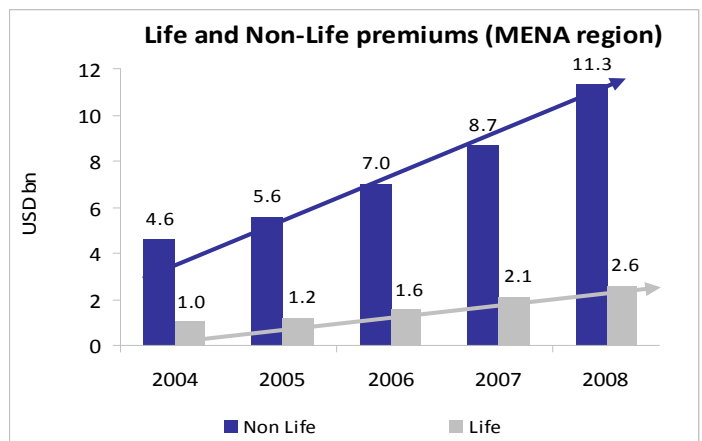
3.1 Insurance markets across MENA countries are still nascent

The dynamics of the insurance industry in the MENA region are quite different from that in other regions of the world. The key differences are related to the general attitude towards risk and the associated awareness levels for insurance. The insurance markets in the MENA region lag behind emerging and developed market averages for per capita expenditure on insurance (insurance density) and premiums as share of GDP (insurance penetration), the generally accepted indicators for the maturity of the market. Furthermore, the supply base in the MENA region is undercapitalized and suffers from an underdeveloped legal and regulatory system. However, the pace of change has increased in recent times with rapid urbanization and globalization.

The non-life or the general insurance segment dominates the GCC markets. Life insurance has been extremely late to take off in



Source: Swiss Re, BMI, Blominvest



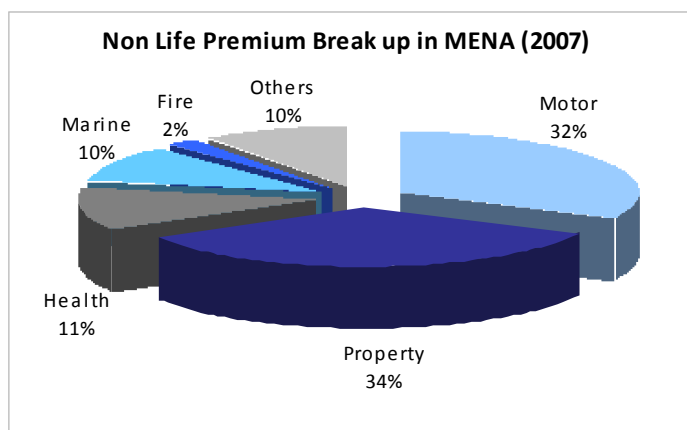
Source: Swiss Re, BMI, Blominvest

the GCC partly due to the belief that it goes against certain core Islamic beliefs. However, growth in the life segment has been picking up over the past few years. This is driven by increased demand from mortgage owners who are keen to secure their loans and assure protection for dependents. Furthermore, family Takaful (Islamic life insurance) is increasingly becoming popular in the region as it complies with the principles of Shariah and is therefore preferred over conventional insurance.

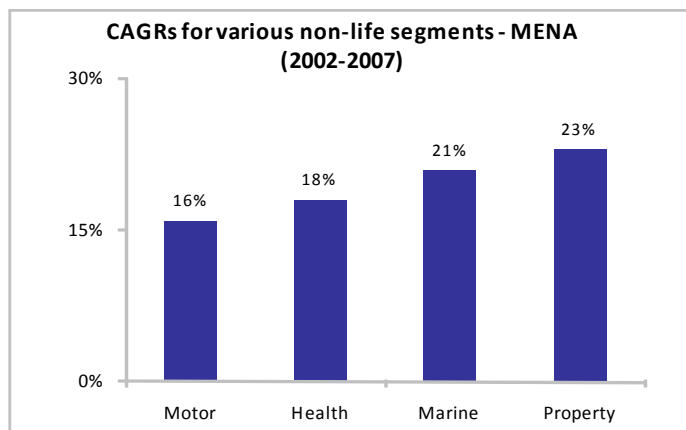
Interestingly, there are 97 insurance companies in the region listed across 8 stock exchanges, of which 69 are listed in the GCC alone.

3.2 A predominantly non-life insurance market

The non-life insurance segment is the key contributor to the growth of insurance in the Middle East, with motor and property coverage accounting for majority of the premiums. Non-life contributes 81% of the total premiums in the region’s insurance market. Non-life insurance in Saudi Arabia and UAE continued to be fueled by property and motor insurance on rising disposable incomes. The other growth factors were more stringent regulation and increased enforcement as well as motor third party liability and health insurance being declared compulsory. Fire and property insurance is expected to increase as well as the property market evolves further.



Source: Regulators, BMI, Blominvest



Source: Regulators, BMI, ARIG, Blominvest

3.3 Fragmented supply base, limited presence of foreign insurers

Insurance traditionally started as a local business in the region, often organized as a cartel and characterized by state monopolies and strict regulations for product/tariff controls and investment restrictions. However, the situation has changed over time as more players arrived on the scene. The industry, as it stands now, is comprised of a large number of publicly listed and private players and as a result is both competitive and fragmented. Participants backed by states through government-owned firms also operate in the market. However, the industry continues to be in nascent stages when compared with the more developed counterparts across the world.

	Publicly Listed	Private	Government	Foreign	Total
Qatar	5	1		2	8
Egypt	2	5	4		11
Kuwait	7	6			13
Oman	5	7	1	9	22
Lebanon		53		2	55
Jordan	26	3		1	30
Bahrain	5	15		11*	31
Saudi Arabia	21	18			39
UAE	26	13		3	42
Total	97	97	5	26	225

* Foreign branches

Source: Bloomberg, Various news agencies, Blominvest

Most markets in the region are dominated by many small players with low market capitalization, which limits organic growth capabilities of the companies. Some countries (Egypt, Jordan and Lebanon) have introduced legislation to raise the minimum level of required capital. Nevertheless, average capitalization levels remain very low when compared with international benchmarks.

The insurance sector in the region is characterized by a high level of private participation, with the exception of countries like Egypt, where government-owned insurers account for around 75% of non-life and 60% of life. However, the state's withdrawal is gradually leading to a more active development of the private sector even in these countries.

In comparison, Jordan and Lebanon are two of the smaller markets in the region in terms of premiums. Lebanon has a population of 4 mn with premiums of USD 900 mn, while Jordan has 6 mn people with premiums of USD 452 mn. The insurance sector in these two countries is highly fragmented as well, with more than two dozen domestic providers. Interestingly however, while a majority of the Jordanian insurers are publicly traded, not a single Lebanese insurer is listed on the Beirut Stock Exchange.

With the exceptions of Qatar, Oman, Bahrain and the UAE, foreign insurers hold only a limited share in the region's insurance markets, most of which is in the life segment.

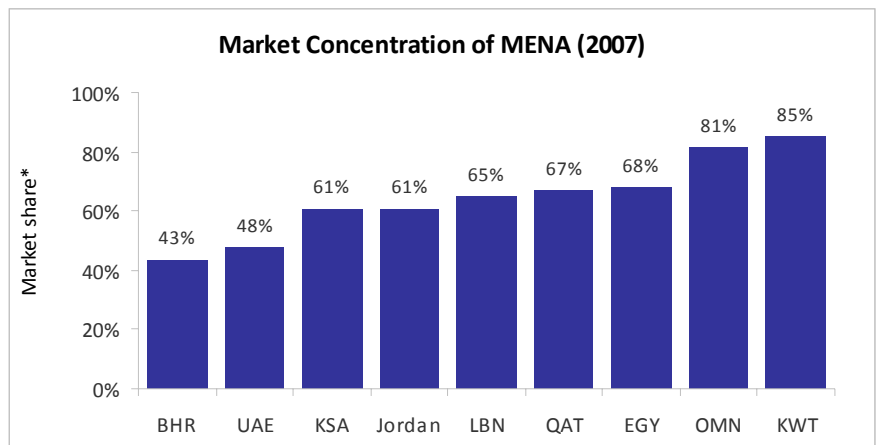
This is mainly because local insurers have been less active in the life segment owing to limited demand because of sensitivity to Shariah compliance. However, the growing expatriate population in the GCC offers a bigger potential opportunity for foreign insurers with mature life insurance offerings. Anecdotal evidence suggests that foreign nationals are more inclined to buy insurance products from multinational names, which are generally preferred for their wider reach and global footprint by such customers. On the other hand, Qatar has the minimum number of insurance companies in the region, given that the government provides social security to its citizens. Kuwait has witnessed intense competition in recent years, particularly in the Islamic insurance segment. However, on an overall basis, the market is primarily controlled by the top three companies. Furthermore, the top 11 insurers hold almost 85% of the market in Kuwait, which is the highest in the MENA region. Oman occupies the second place with the top ten insurers accounting for 81% of the total market, of which the majority is held by the top five players.

In the past, the governments restricted foreign insurers from accessing and participating directly in the markets. However, the situation has changed as international reinsurers have built strong professional links with local companies. Within the life insurance market, the American Life Insurance Group has been a leading specialty operator across several Arab markets. More recently, international reinsurance companies have increased their direct presence in the region as well. Besides setting up new branches, multinationals have taken the route to strengthen local presence through affiliates under a Bahrain-domiciled regional umbrella, like what was done by Allianz in 2007.

During April 2009, Assicurazioni Generali, Italy's largest insurance company obtained the license to sell life insurance in the UAE. The company is also eyeing the possibility of developing Takaful products to target the Islamic insurance segment. Another instance is that of Lockton, an independent global insurance broker that was granted license by the Dubai Financial Services Authority to operate from the Dubai International Financial Centre as a broker servicing multiple regional insurers.

3.4 Still-developing legal and regulatory frameworks

The legal frameworks across the countries in the MENA region are quite diverse and still evolving. Most countries have laws and regulations in need of reforms to be conducive to the realities of the modern marketplace. Over the last few years, many governments have realized this and are undertaking concrete efforts to strengthen the regulatory system. During the recent years, countries in the MENA region have strengthened the supervisory capabilities of regulatory entities along the lines of the International Association of Insurance Supervisors (IAIS). In this direction, they have issued sector guidance notes covering topics such as governance, market conduct, and risk management.



Source: Regulators, BMI, ARIG, Booz Allen Hamilton, Blominvest

* Market share for top 10 insurers except for Egypt (4), Kuwait (11), Qatar (6) and KSA (8)

Bahrain, on the other hand, has a relatively well-developed and functional legal framework for insurance activities. The country issued the 'Insurance Rulebook' in April 2005, which details the licensing and operational regulations for both conventional and Takaful insurance. In other countries like Kuwait, Qatar and the UAE, the regulation is still limited. For instance, in the UAE, regulations do not necessitate companies to adhere to any solvency-related requirements like certain other developed countries. However, insurers in the UAE are still required to follow certain minimum capital requirements in order to meet current and future claim needs.

The silver lining, however, is the presence of an insurance regulatory body in all the countries of the region, even though the structure and level of maturity vary. In Saudi Arabia and Oman, the existing financial services regulator, such as the central bank or the capital market authority, supervises the insurance sector. In other countries like the UAE, the sector is supervised by a government ministry itself. In certain cases, there is an overlap of responsibilities between multiple regulators leading to contradictory and ambiguous norms. A case in point is Saudi Arabia, where significant overlap exists between the Council of Cooperative Health Insurance (CCHI) and the Saudi Arabian Monetary Agency (SAMA) in the area of health Insurance.

(Note: Please refer to Appendix for the country-wise legal and regulatory frameworks in the MENA region)

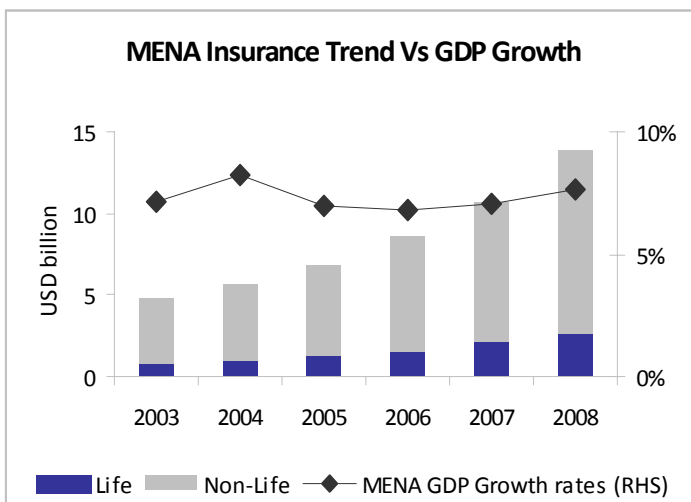
4 Regional Perspectives

Despite being relatively small, the insurance industry in the MENA region has witnessed strong growth over the recent years. Many countries in the region have registered double digit CAGRs between 2003 and 2008. Further growth is expected in the near future due to factors such as the above-average levels of GDP growth rate, which is likely to boost demand for insurance. In spite of recent cutbacks, GCC countries like Saudi Arabia, Qatar and Kuwait are witnessing large investments in infrastructure and increasing trade with countries both within and beyond the region. Yet another demand driver will be the recent legislative change that makes motor and medical insurance mandatory in many countries of the region. The inclination of the government's policies towards privatization of pension programs will likely increase the demand for life insurance schemes with long-term savings options. Apart from such structural and intrinsic industry drivers, the young and growing population presents an ideal demographic that will increase the overall demand for insurance during the coming years.

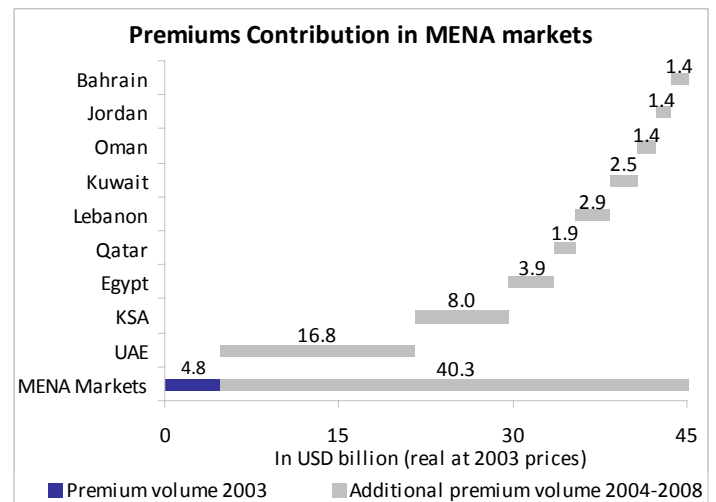
The annual per capita GDP growth has been impressive in many countries of the region. However, the insurance sector has failed to develop in tandem with the developed economies. One likely reason for this is the wide income disparities that exist across countries and even within countries. Life insurance expenditure as a percentage of total insurance expenditure in the region is quite low at about 19% compared to 59% and 53% in developed and emerging markets, respectively. In particular, countries like Qatar and the UAE with per capita GDP far higher than even developed countries have premiums that are much lower in comparison.

As mentioned earlier, the region's insurance industry was worth an estimated USD 14 bn in premiums as of end 2008, growing at a CAGR of 19% since 2003. The three largest insurance markets by total premiums in 2008 were the UAE with USD 5.0 bn, Saudi Arabia with USD 3.1 bn and Egypt with USD 1.4 bn, together accounting for around 68% of all premiums in the region. Continuing the trend, Saudi Arabia still presents the strongest opportunities for insurance growth across multiple categories. The UAE, which is the most developed market in the region, is dominated by non-life and presents another growth opportunity given that the market is still heavily underpenetrated.

World premium volumes declined 2% during 2008 for the first time since 1980. However, the MENA region posted impressive growth in premium volumes that grew by 29% and outpaced even the overall emerging market premium growth rate of 11%. Premium volumes declined 3% in the developed markets hit by the financial crisis. Non-life premiums in the MENA region increased 31% to USD 11 bn in 2008, largely due to strong demand from motor and health insurance that were made mandatory. Even life insurance premiums in the MENA region grew by 24% to USD 3 bn, spurred by the growing uptake of Takaful especially in Saudi Arabia. Considering all the positives and a comparatively good economic outlook, markets in the MENA region offer significant growth potential across multiple insurance categories.



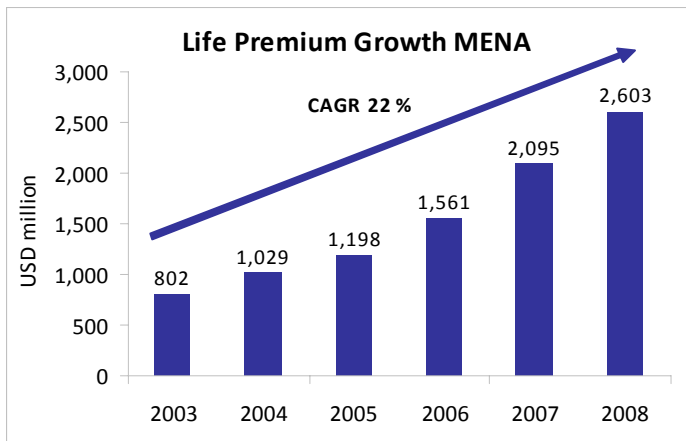
Source: IMF, Regulators, ARIG, BMI, Blominvest



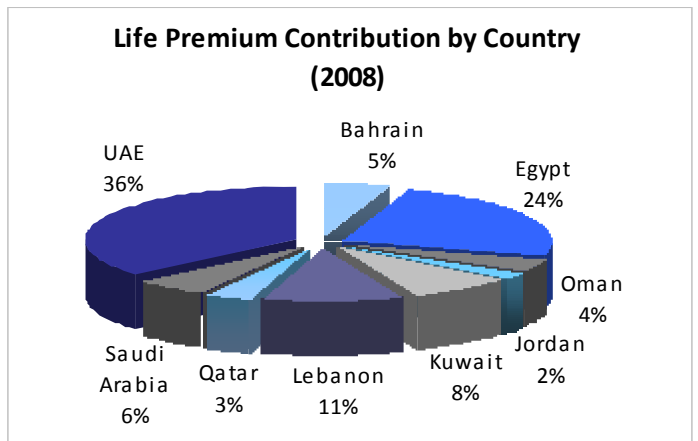
Source: Swiss Re, BMI, Blominvest

4.1 Life Insurance

Life insurance premiums in the MENA region grew at a CAGR of 22% over 2003 to 2008 to reach USD 2.6 bn. The three largest life insurance markets by total premiums were the UAE with USD 937 mn, Egypt with USD 635 mn and Lebanon with USD 290 mn. The UAE's leadership position in the segment is primarily on account of the largest ratio of expatriates (as percentage of the country's population) in the region, especially since such insurance is not very popular with most locals. In Egypt, the growth in the segment is being fuelled by the high population and changing population dynamics with the emergence of a prospering and growing middle class. In Lebanon, on the other hand, open and liberal policies in line with the country's free market philosophy have helped it become a significant growth center for life insurance among the non-GCC nations.



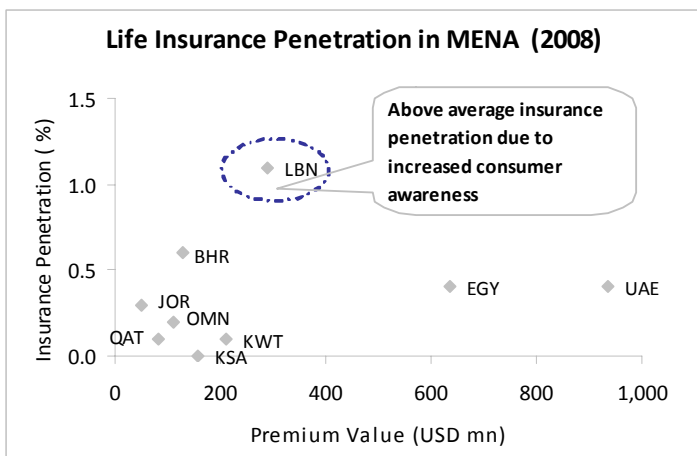
Source: Swiss Re, BMI, Blominvest



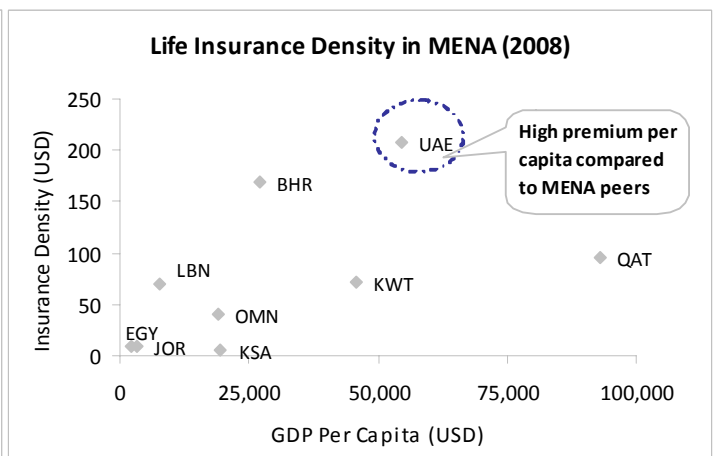
Source: Swiss Re, BMI, Blominvest

4.1.1 A small and underdeveloped market...

Life insurance in the MENA region is relatively underdeveloped as evidenced by low penetration rate and density. The penetration for life insurance in 2008 stood at around 0.4%, while that for non-life was 1.7%. The average life insurance density measured by premium per capita stood at USD 75 as against USD 368 recorded for non-life. However, life insurance has higher penetration rates in non-GCC countries, with Lebanon (1.1%) and Egypt (0.4%) leading the pack in 2008 ahead of most oil-rich GCC nations. The economies of Lebanon and Egypt are much smaller compared to those in the oil-rich GCC nations and, as a result, are unable to provide the same level of social security to their citizens. This, in turn, creates a greater need for private insurance. Furthermore, the demographic profile of the non-GCC countries is tilted towards the middle class, which is essential for growth in retail insurance. In GCC nations, higher disposable incomes had so far obviated the need for people to purchase insurance, but the trend is likely to change following the recent economic shocks.



Source: Swiss Re, BMI, Blominvest



Source: IMF, Swiss Re, Blominvest

The low per capita premiums and penetration are due to several factors as follows:

- Non-conformance with Shariah. Life insurance in the region is a sensitive topic due to its non-conformity with the Shariah principles. The general belief is that insurance and related products have the forbidden elements of uncertainty (*gharar*), gambling (*maiser*), interest income (*riba*) and investment in anything unacceptable (*haram*). The uncertainty stems from the belief that the outcome of the insurance contract is not known at the time of signing and varies with the time of the insured's death. The possibility of the insured gaining large amounts (profit) from the coverage in light of certain events amounts to gambling. Since the premiums are invested in non-Shariah-compliant, interest-bearing instruments, the insurance itself is viewed as interest-earning.
- "Commercial insurance is a form of gambling, since the insured pays a premium and either receives no compensation or one far exceeding what he paid"*

- Professor Mustafa Al- Zarqa
(Fiqh Academy of the Muslim League)
- Lack of awareness. Limited awareness about life insurance and its benefits is a widespread phenomenon across the region. While the immature status of the industry is one reason, the cultural aspect of extended families and reliance on traditional state welfare benefits are other reasons behind the continued low awareness.
 - Incentives of taxation and long term savings. The absence of tax structures across many countries in the MENA region implies little or no financial incentive for companies or people to consider buying insurance products, which are purchased as tax-saving instruments in many other countries. Currently, a part of pension benefits is funded directly by the states using oil revenues. The current levels of public funding may not be sustainable in the longer term given the non-renewable aspect of a fossil fuel like oil and the general volatility of oil prices seen over the years. In order to promote strong private sector savings, GCC nations have provided strong fiscal incentives for setting up various savings schemes, payments into which are tax deductible and returns are exempt from tax as well.
 - Absence of life insurance in related financial services. Until recently, there were few related financial products (such as mortgage lending) that mandated the purchase of an associated life insurance product to resolve outstanding obligations in the event of a casualty. The growth of the property market and the real estate boom has spurred the growth of mortgage loans, and consequently, of associated insurance coverage for lenders to mitigate risks of non-payment.

4.1.2 ... which nevertheless offers tremendous growth potential

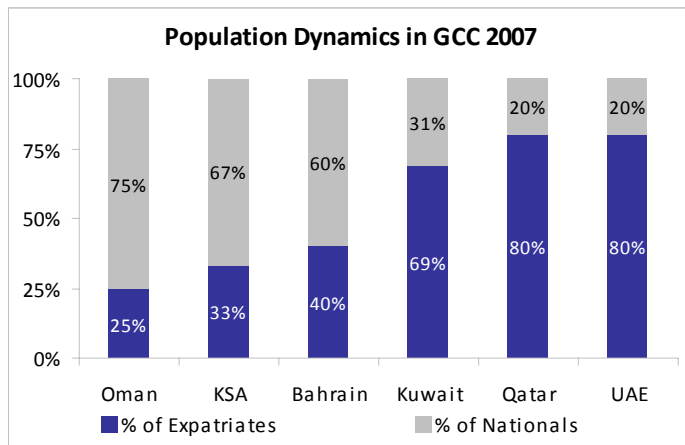
There are multiple reasons to believe that the recent growth can be sustained in the future. There is a clear need to raise awareness levels through training programs and workshops in collaboration with local and International bodies. Many countries have realized this critical factor to help boost the levels of insurance coverage in the region. Initiatives like those undertaken by the capital markets authority in Oman and by the insurance market development committee in Bahrain are notable efforts in this direction.

The otherwise rapid economic growth has moderated since the second half of 2008 across most countries in the region. However, many of these countries have witnessed significant population growth, which is likely to offset, at least partially, the slump in demand. The key driver will be the rising 15-64 year age group that makes up over 65% of the population. This segment grew at a CAGR of 4% between 2005 and 2008. In fact, a large part of the population in the GCC falls in this age group with the majority being under 35. This segment spends more in general and in turn will drive demand for insurance coverage.

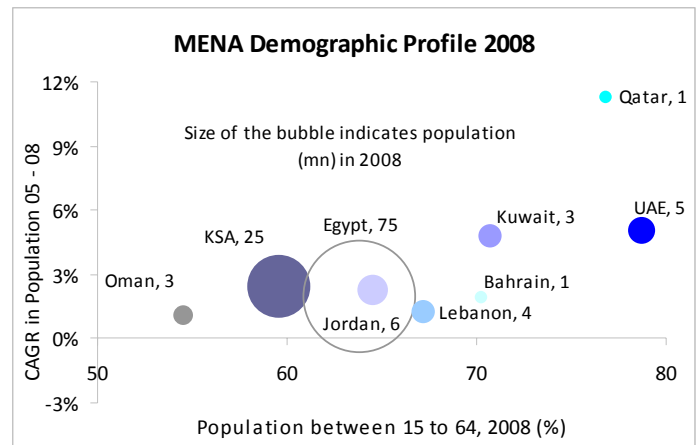
In addition to the aforementioned intrinsic factors, expatriates constitute a major part of the demographic structure in the GCC countries. In 2007, there were nearly 16 mn foreign residents in the GCC accounting for about 45% of the entire GCC population. However, the numbers and contributions vary depending on the country's economic conditions. Saudi Arabia employs the highest number of expatriates with 8 mn foreign residents, representing 33% of the kingdom's population. In comparison, the UAE and Qatar have a higher ratio of expatriates versus nationals, with almost 80% of the population made up by foreigners. According to the Economic Intelligence Unit, the GCC countries are expected to remain a major net 'importer' of workforce till 2020.

The increased influx will be in sectors like energy, real estate and financial services, which have driven this trend in the past as well. These expatriates will likely present the biggest opportunity for life insurance companies in the region.

Most mortgage companies offer a life insurance cover along with the core mortgage offering. Hence, life insurance products are expected to grow at least as fast as the mortgage market. Besides, the state privatization program will serve as a catalyst for the development of life insurance as well, since government-backed bodies that were otherwise self-insured will now require coverage. Furthermore, it is anticipated that restructuring of state pension funds and the reduced role of the government in providing pensions will lead to an uptick in demand for life insurance and long-term savings products.



Source: Human rights Watch, Blominvest



Source: CIA World Fact book, Blominvest

Finally, the predominantly Muslim population of the MENA region has traditionally been averse to life insurance due to the belief that it goes against the Shariah principles. However, Takaful life is witnessing strong growth and now accounts for nearly 38% of the total Takaful market, compared to the 19% contribution of conventional life insurance to total insurance premium in the MENA region. Family Takaful (life) is expected to boost further demand by catering to Muslim families that would otherwise not have considered purchasing conventional life insurance.

4.1.3 Foreign insurers dominate life insurance

The recent years have seen most countries in the MENA region lift restrictions and/or moratoriums on the operation of foreign insurers. Consequently, these countries are open to foreign insurance companies that are now present at various levels throughout the region. After the new legal framework came into effect in Saudi Arabia in October 2006, several international companies applied for licenses to establish local presence in the kingdom. AXA co-operative insurance company and foreign insurance brokers such as AON Saudi Arabia and Willis Saudi Arabia are some of the major names that succeeded in getting awarded these licenses. Such developments will help bring in international expertise and raise the competitive benchmarks for local players.

The contribution of foreign insurers was limited till a few years back. This was on account of market entry restrictions and regulations requiring insurers to invest a large proportion of premiums in the local markets. However, with entry restrictions in countries like Saudi Arabia getting relaxed and legal reforms allowing foreign investment in the sector in Qatar, foreign players have more reasons to enter the region's markets. The trend of increased foreign participation is likely to continue as growth remains sluggish in other developed markets across the globe.

Besides the structural factors, most foreign insurers have focused exclusively on the life segment. Local insurers were not keen on the segment owing to limited demand due to Shariah implications, which foreign counterparts naturally saw as an opportunity. Furthermore, foreign workers were expected to prefer foreign insurers over the other lesser-known local companies and this has been a significant demand driver as well.

There are as many as 45 insurers, including 3 foreign companies, serving the UAE market. While foreign insurers have focused mostly on the life segment, some of them have announced plans to expand actively on the non-life side as well. In Bahrain,

foreign insurers dominate the life insurance market with a market share of 82%. In Jordan, American Life dominates the life insurance market with a 53% share.

4.1.4 Distribution channels still evolving

The degree of participation of brokers and agents varies across countries in the MENA region. In Saudi Arabia and Lebanon, for instance, brokers are very active on the corporate side mostly. On the other hand, in other countries, distribution channels are less developed and the business relies heavily on direct selling agents linked to the insurance companies. This disparity is a likely result of non-standardized and insufficient regulations to govern intermediaries and a general lack of norms related to qualification, accreditation and licensing.

"Third parties, such as brokers and banks, are the best way to grow the insurance business as they already have a ready client base."... "And if these third-party intermediaries can successfully sell insurance products to their customers, the MENA insurance industry can finally move towards realizing its massive potential"

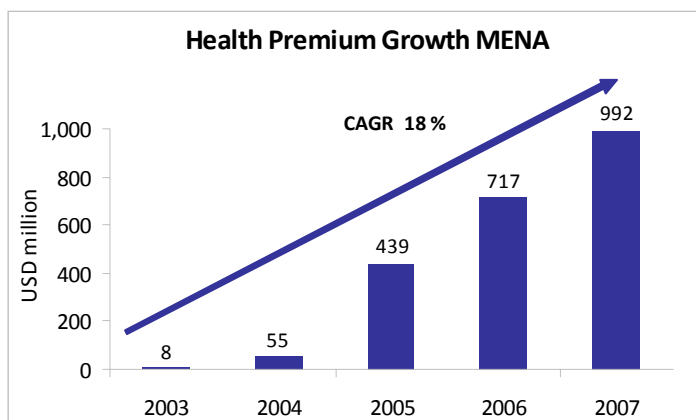
-Matt Waterfield
(General Manager of UK-based Friends Provident International's Middle East office)

Bancassurance (the sale of insurance products through banks) is a popular distribution channel in many developed insurance markets around the world, but remains underdeveloped in the MENA region. This is due to challenges such as inadequate training and inadequacy of incentive structures that can further sales. Yet another important factor is the regulatory issue related to the handshake modalities between banks and insurance companies.

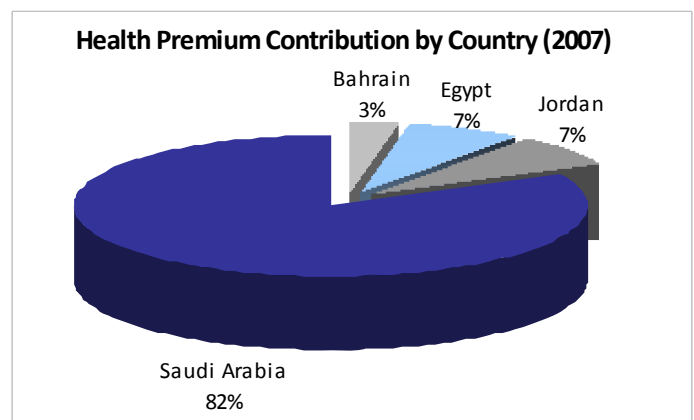
Slowly, but surely, this is changing now. ACE Life opened its UAE office in mid-2007 offering the complete range of life insurance from pure protection to investment products. The company leverages multiple distribution channels to reach out to the market, including direct marketing, banks, agencies and affinity groups.

4.2 Health Insurance

Health insurance premiums in the MENA region amounted to USD 992 mn in 2007. Total premium volumes recorded a CAGR of 18% over 2003 to 2007 driven by mandatory health insurance for expats in Saudi Arabia. The three largest health insurance markets by total premiums in 2007 were Saudi Arabia with USD 818 mn, Jordan with USD 73 mn, and Egypt with USD 70 mn. In non-GCC countries like Jordan and Egypt, health insurance is the major segment in the non-life market in terms of premiums, making up 13% of the total in 2007. According to estimates by Jordan's Ministry of Health, around 78% of the population is covered by health insurance. The country has committed itself to providing universal coverage of health services with its "health



Source: Regulators, ARIG, BMI, Blominvest



Source: Regulators, ARIG, BMI, Blominvest

for all" strategy. The government is also planning to establish a health insurance commission to develop and expand health insurance coverage in the country. In Egypt, about 52% of the total population is covered by health insurance, despite free health insurance for newborn babies, schoolchildren, widowers and those involved in certain professions. The ruling

government plans to come up with a mandatory health insurance law by the end of this year, which should spur further growth in this market.

4.2.1 Saudi Arabia - the biggest health insurance market in the region

The Kingdom of Saudi Arabia, with a population of almost 25 mn, presents the largest opportunity for healthcare insurance players in the GCC region. Saudi Arabia was the first GCC nation to insist on medical insurance for foreign workers. A new regulation enacted in 2006 made it mandatory for employers with more than 500 foreign workers to provide health insurance coverage. This was soon extended to include firms with more than 100 expatriate employees, and in September 2008, was extended, yet again, to firms with more than 50 expatriates. Under article 2 passed in July 2009, health insurance was, for the first time, made compulsory for all Saudis working in the private sector (including those on contract work) for individuals and for family members.

Other than Saudi Arabia, compulsory health insurance for expatriate workers is slowly catching up across the GCC region. With the UAE following suit, the move towards such mandatory insurance has been a strong catalyst for the market's recent growth.

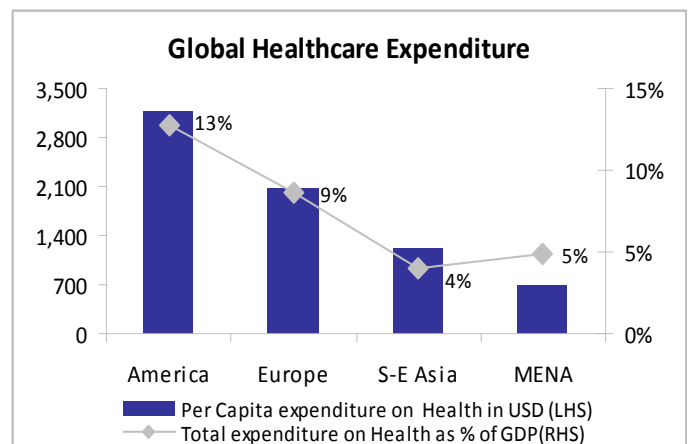
Over the years, the governments in the GCC states have borne a major proportion (about 75%) of all healthcare expenses. With minimal or no taxation, such expenditures naturally eat into the government coffers. In order to lessen the burden, these countries have either recently passed, or are in the process of passing, legislations related to health insurance. The examples of Saudi Arabia and the UAE stated earlier are cases in point in this direction.

4.2.2 Growing need for better healthcare in the region

According to the World Health Statistics 2008 report, total expenditure on health as a percentage of GDP in the MENA region stood at 4.9%, which is lesser than that in the Americas and Europe. McKinsey expects the GCC countries to face an unparalleled and unprecedented rise in healthcare demand in the region over the next two decades. It is estimated that total healthcare spending in the region will reach USD 60 bn by 2025, up from USD 12 bn in 2007. Saudi Arabia and the UAE will likely register the highest increase in demand for hospital beds. In Saudi Arabia, the number of people over the age of 65 requiring advanced healthcare facilities will increase more than seven-fold over the next 20 years. Furthermore, with the increase in life expectancy across the region, the demand for better healthcare infrastructure is only set to increase.

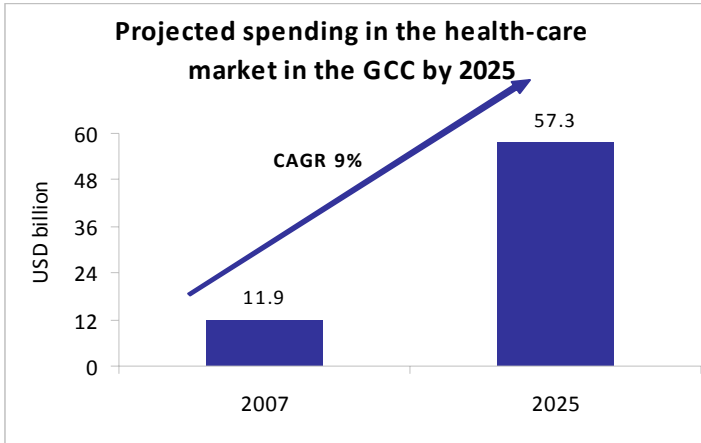
The quantum of even the basic healthcare needs is increasing across the GCC region due to three factors. First, and most important, is the growth in the overall population. Second is the expected increase in population of individuals over the age of 65, from 840,000 to 1.37 mn over the next 10 years. And third is the increasing incidence of lifestyle ailments like obesity and the associated conditions. According to the World Health Organization, Saudi Arabia, the UAE, Bahrain and Kuwait are among the countries with the highest incidence of adult diabetes with 15-20% of the collective population diagnosed with the disease.

The availability of more and better healthcare facilities is the only way to keep pace with the growing demand. Based on population growth numbers alone, an additional 16,500 hospital beds will be needed across the GCC region, during the next 10 years to simply fulfill the current demand levels. An additional 110,000 beds will be required to bring the number up to Organization for Economic Cooperation & Development (OECD) averages.

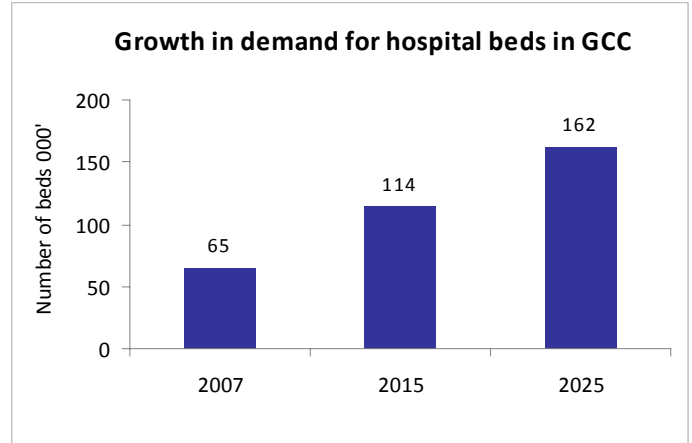


Source: World Health Statistics 2008, Blominvest

Most of this growth will likely have to be met by the private sector, which currently accounts for 20% of the healthcare industry in the GCC. New investments in the private sector include the Dubai Healthcare City, a USD 1.8 bn developmental project. Overall, there will be 17 hospitals with a total of 2,325 beds available by 2010 in Dubai. Mubadala Development Company from Abu Dhabi and the Cleveland Clinic are developing a 360-bed hospital in Abu Dhabi and expect to commence operations by 2011. Qatar is establishing the Sidra Medical and Research Center, a 400-plus bed in-patient and out-patient medical care and research facility. Investments of USD 8 bn have already been pledged, and the facility is scheduled to begin operations by 2011.



Source: McKinsey & Company, Blominvest

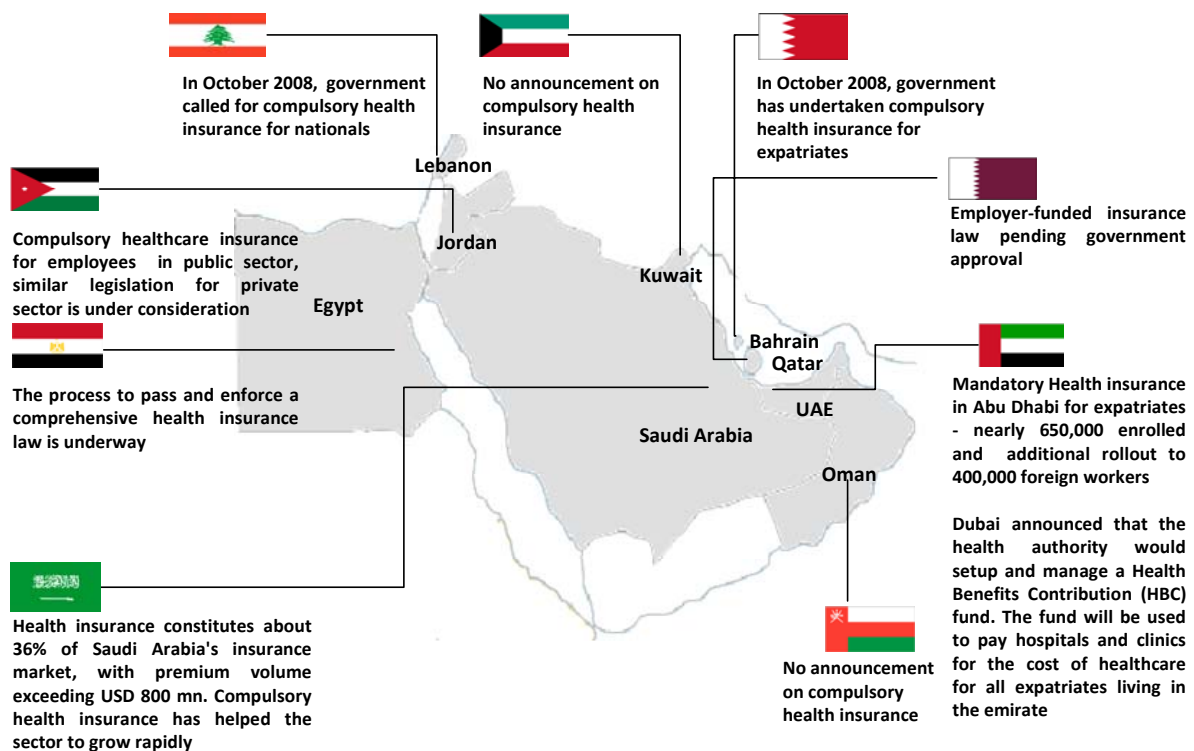


Source: McKinsey & Company, Blominvest

4.2.3 Health insurance being made compulsory will be a definite catalyst for growth

The law related to mandatory health insurance brings a fresh lease of life as it takes the burden off the governments' shoulders, and will likely help boost private sector participation. There will be a two-fold effect here. On one hand, employers will be forced to buy insurance contracts for employees. And on the other hand, insurance companies will be able to tap into a wider customer base including the lower income strata that may otherwise not have opted for insurance without such an external stimulus. Either way, the sector will experience a boost in revenues and will, in turn, be able to attract further investments.

Healthcare Insurance in MENA – A snapshot



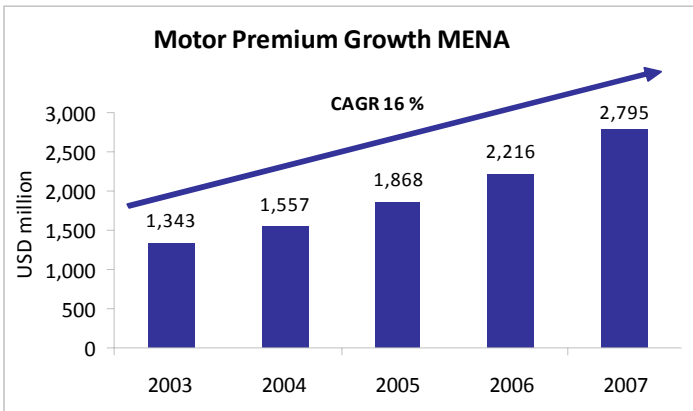
Source: Various news agencies, PWC, Blominvest

Private healthcare providers will also directly benefit from the enforcement of such laws. As more people get covered, it is likely to lead to a shift in preferences from public to private hospitals and clinics. This will be particularly pronounced in the category of people that uses public healthcare facilities only on account of lower costs. The law will help the private sector gradually play a bigger role in the region's healthcare industry as people will shift towards better quality of services. In addition, expatriates with non-urgent health issues, who normally would have waited for a trip back home for treatment, will feel the comfort in availing immediate good treatment.

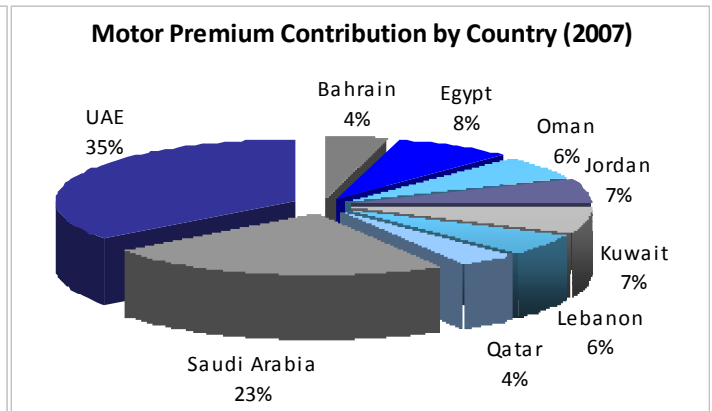
Having said that, private health insurance is still a rather nascent phenomenon across most countries in the MENA region. Lebanon and Saudi Arabia lead the pack with a sizeable number of private health insurers. The driving force in Saudi Arabia has been, and will continue to be, the growing expatriate population due to rapid industrialization. In Lebanon, on the other hand, the relative inadequacy of public healthcare has resulted in a shift towards private healthcare and, in turn, to health insurance.

4.3 Motor Insurance

Motor insurance retained its position as the second largest insurance category in the region, though with a reduced 32% share of gross premiums in 2007, down from 34% in 2005. The segment generated gross premiums of USD 2.8 bn in 2007 implying an increase of 27% over the 2006 figure of USD 2.2 bn. Similar to health insurance, mandatory motor insurance has resulted in strong demand across most markets in the MENA region. Total premium volumes recorded a CAGR of 16% over 2003 to 2007. The three largest motor insurance markets by premiums in 2007 were the UAE with USD 987 mn, Saudi Arabia with USD 651 mn and Egypt with USD 223 mn.



Source: Regulators, ARIG, BMI, Blominvest



Source: Regulators, ARIG, BMI, Blominvest

4.3.1 A relatively mature automotive insurance market

The penetration of motor insurance in the GCC region stood close to 100% at the end of 2007. Compulsory motor insurance contributed to the rapid growth in premiums across markets. Motor insurance represents between 30% and 45% of the premium pie in the MENA region. By far, it is the most dominant segment in Saudi Arabia, the UAE and Egypt markets, comprising almost 30% of the non-life market in 2007. In contrast to other forms of insurance, motor insurance risks are predominantly borne by the insurer, as the risk is not fully ceded to a reinsurer in this segment.

In the MENA region, third party and comprehensive are the two popular kinds of car insurance packages. In third-party insurance, the insured is covered against injuries and damage caused to any other person. As part of comprehensive insurance, in addition to what is offered by third party liability coverage, the coverage also includes the loss or damage to the vehicle due to accidents, fire or theft, and personal accident cover for the driver and passengers. With compulsory motor insurance being introduced, it is likely that individuals will initially opt for cheaper options like third-party, and gradually move to the more expensive comprehensive coverage. Industry experts estimate that nearly 75% of cars less than five years old, and 25% of cars more than five years old, will be covered by comprehensive insurance, once the market develops. Additionally, as car insurance premiums are liberalized, third party coverage rates may go up and this will prompt consumers to switch to comprehensive policies as the price difference narrows.

"The Orange Card scheme will be beneficial to the insured parties, as it establishes a well-defined system for the speedy settlement of accident claims. It also eliminates the delays and cumbersome formalities that the insured and third party claimants tend to face when cross-border accident claims are being processed"

-Dr J Retnakumar
(Resident Manager Middle East office, New India Assurance Company)

Recently, Oman introduced the Orange Card motor Insurance scheme as a key step to address the prolonged delays and hassles associated with the settlement of cross-border accident claims. The scheme requires motorists

crossing national borders to obtain an 'Orange Card' signifying the insurance coverage on their vehicles, which is honored by insurance companies in endorsing geographic extensions on the motor insurance policies during cross-border travel. According to industry experts, the new scheme will streamline cross-border claim settlement procedures at a time when traffic accidents are on the increase.

4.3.2 Strong growth in automobile markets across the MENA region

The automotive market in the MENA region is thriving with high growth in the UAE, Saudi Arabia, Egypt, Kuwait and Bahrain. According to BMI, total sales in 2008 were up 15% y-o-y compared to the global car sales growth figure of 0.8%.

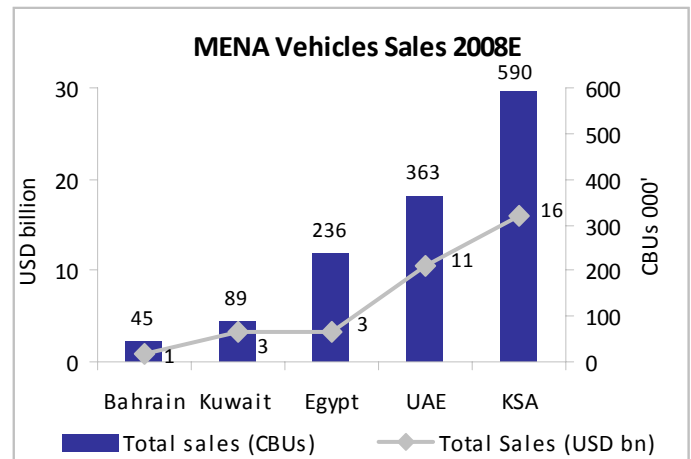
Bahrain is one of the most promising markets in the region with very strong growth potential. The island is about to become the first Arab Gulf state to assemble cars. Although the country's automotive market is small, it is open and competitive, with high levels of car ownership and strong sales performance across segments.

The UAE is the most mature of the markets with one of the world's highest levels of car ownership. The market is driven by population growth and immigration due to diversification and new opportunities in non-oil sectors like real estate and financial services. The country has seen the strongest growth in demand for cars during the recent years. BMI expects passenger car sales in the UAE to reach almost 534,000 completely built units (CBUs) by 2012, implying an 80% increase over 2007 levels. Other favorable factors like rising incomes and improvement in road and surface infrastructure are likely to support the growth story. Kuwait appears to have reached a saturation point, although performance varies across segments. The country has fallen behind other Gulf states in terms of automotive sales growth during recent years, due to the structure of the economy. Sluggish progress on diversification away from oil has prevented the kind of consumer boom witnessed in other countries like the UAE and Bahrain.

The automotive sector in Saudi Arabia registered modest growth during 2008. The Saudi motor insurance market is partly insulated from the effects of the credit crunch due to consumers' tendency to favor cash purchases over credit purchases. While there has been a general squeeze in liquidity with tighter credit appraisal norms, banks in the region largely remain well-capitalized. As a result, the trend of consumers buying on credit will continue, albeit with delays during the evaluation and approval stages of the loan applications.

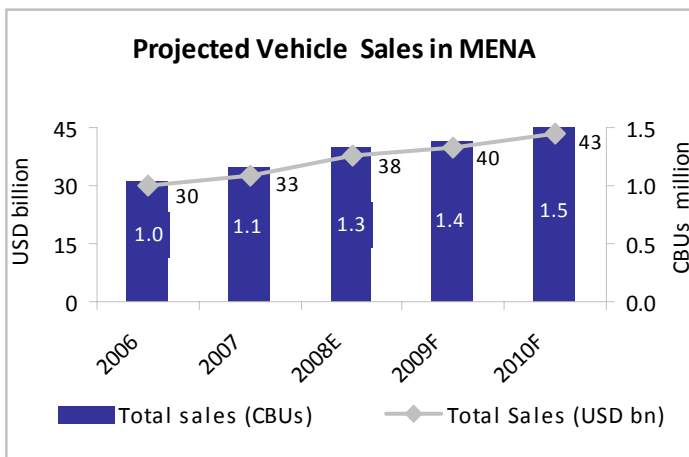
Egypt is one of the biggest automotive markets in North Africa with the industry witnessing double-digit sales growth during the recent years. However, the country is still underdeveloped outside the main urban centers and the regulatory framework with high tariff barriers is still relatively unfavorable to the sector. The government is in the process of liberalizing the automotive market, which naturally bodes well for the industry's future prospects.

The replacement rate for cars in countries like the UAE is quite high and this has led to an influx of relatively new used cars into Saudi Arabia making it the biggest market for such cars. Further, the premium vehicle segment has also witnessed robust growth in sales in the UAE, Saudi Arabia and Kuwait. Premium car sales in the UAE grew 56% between 2005 and 2007 and the

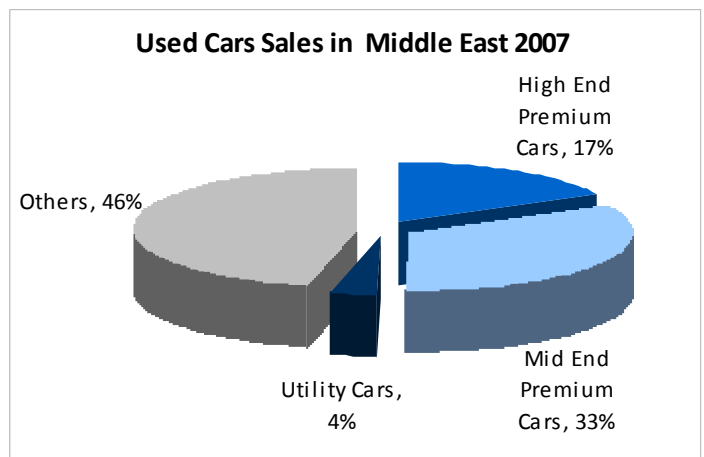


Source: BMI, Blominvest

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Source: BMI, Blominvest

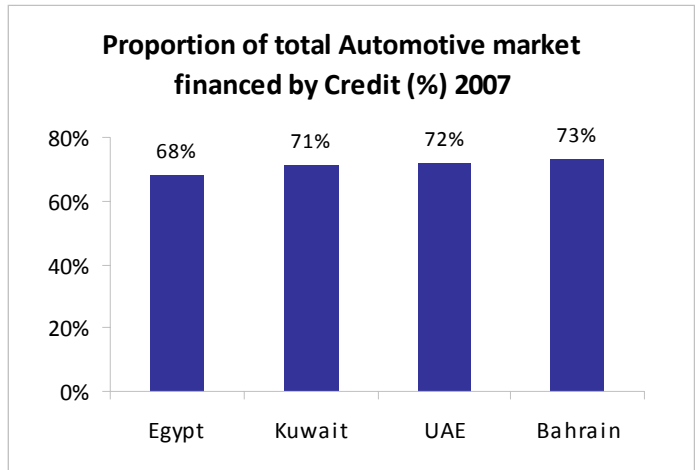


Source: BMI, Blominvest

segment now represents 12% of the country's auto market by volume and 24% by value. The UAE accounts for 40% of the GCC's luxury car sales, followed by Saudi Arabia and Kuwait with 21% and 14%, respectively. With premiums being higher on second hand and luxury cars, such growth rates augur well for the motor insurance segment in such countries and the region in general.

4.3.3 Although automotive sector took a beating recently, the future appears bright

Overall, the year 2009 continues to remain sluggish with subdued economic growth rates and a slowdown in spending. Banks across the region have tightened lending norms and are charging higher rates of interest to finance purchases including automobiles. This is bound to have an impact on the insurance market as well, where more than 65% of new car purchases are made on credit. The impact to automotive financing was felt during the later part of 2008 itself, when a significant number of loan applications were being turned down by lenders. In November 2008, General Motors, which saw sales growth of 28% to 19,500 units in the first 10 months of 2008, said that the rate of vehicle loan rejections had risen from 5% to about 30% in the UAE, prompting appeals to banks in the region to ease credit terms.



Source: BMI, Blominvest

Motor Insurance companies in the GCC are considering an increase in premiums as the segment is registering losses in some cases due to the increasing number of accident-linked claims. In some countries such as Kuwait, there is no limit on the size of the claims, which is causing further problems for insurance companies. In a specific case in April 2009, a Kuwaiti court approved a motor accident claim of USD 1.7 mn plus a compensation of USD 7,000 per month for the victim. The impact to insurance companies is furthered by the liquidity crunch as banks are not financing new and second-hand purchases leading to an almost 40% fall in premium collection. In order to curtail this slide, GCC countries are working together to come up with more uniform rules for motor insurance across the GCC region.

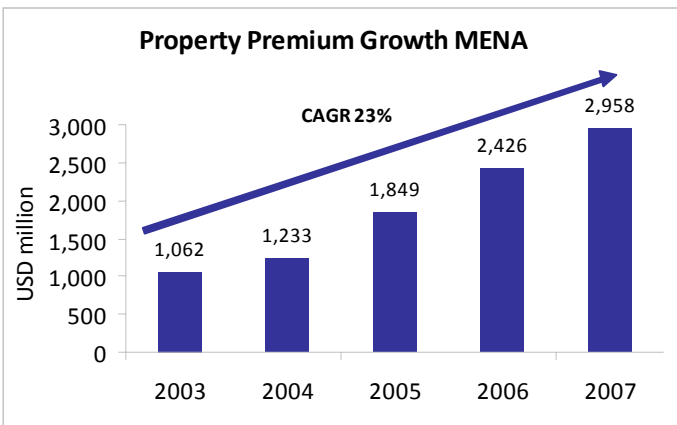
"It's part of the GCC common market to have uniform insurance rules in the GCC member countries"

-Kevin Willis
(Director of Financial Institutions Rating, Standard & Poor's)

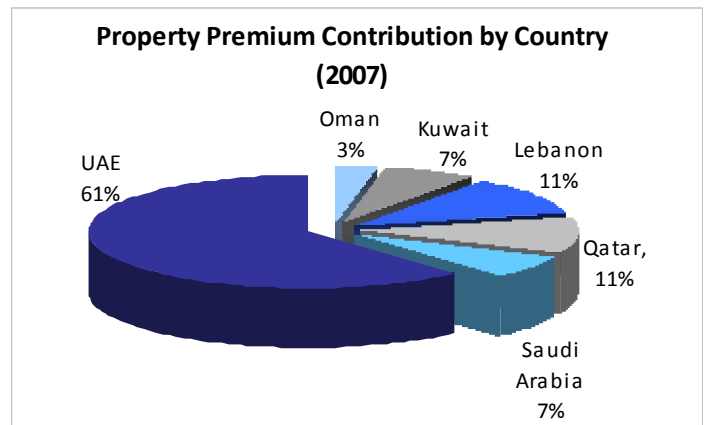
Looking ahead, BMI forecasts car sales to reach 1.5 mn units by 2010, growing at an annual rate of 13% from the 2008 levels. It is interesting to note that Saudi Arabia, despite being the largest automotive market in the Gulf, presents the best penetration potential due to low per-capita vehicle ownership partly due to the ban on driving for women. The pending legislation allowing women to drive, once enacted, will definitely help raise vehicle ownership and insurance coverage significantly.

4.4 Property Insurance

The total premiums for property insurance in the MENA region amounted to USD 3 bn in 2007, growing at a CAGR of 23% since 2003. The three largest property insurance markets by total premiums in 2007 were the UAE with USD 1.8 bn, Lebanon with USD 321 mn and Qatar with USD 316 mn. Despite the downturn in the region's property market, Qatar and Saudi Arabia witnessed impressive growth in 2008. Property booms in these markets have increased the demand not only for property insurance covering the cost of the house in the event of fire and water damage, but also for home-contents insurance that covers the cost of personal belongings. However, property insurance penetration rates remain less than 5% in some GCC countries. Within the segment, fire insurance is one of the smaller categories contributing only 2% to the total premiums. Egypt and Jordan are the major fire insurance markets in the region with premiums amounting to USD 79 mn and USD 60 mn, respectively.



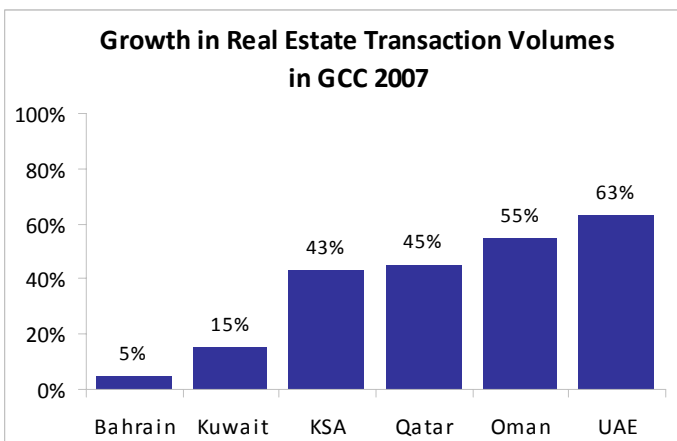
Source: Regulators, BMI Blominvest



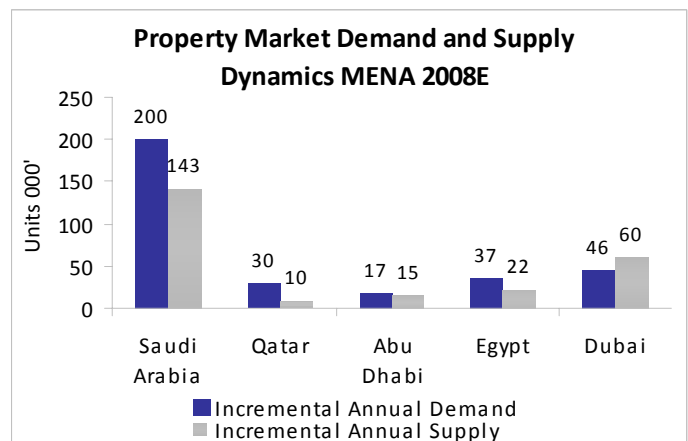
Source: Regulators, BMI, Blominvest

4.4.1 Abu Dhabi, Saudi Arabia and Qatar script the region's success story

The property market in the MENA region has witnessed frantic activity during the last few years. Strong growth in population, high GDP per capita and rapid industrial expansion have all contributed to the growth of this sector in the region. Dubai stands out as the most advanced in the region, but is witnessing a phase of correction that is even more pronounced due to oversupply. Real estate consultant Colliers' April 2009 report indicates that the downward trend in Dubai will continue through the year and is likely to stabilize only by the second half of 2010. The real estate markets in Abu Dhabi, Qatar and Saudi Arabia are undersupplied and anticipated to remain so until 2012. Egypt is the largest country in the region by population with a GDP that has grown at an annual rate of 7% over the last three years. However, deterioration in the nation's overall macroeconomic situation has seen its 2009 GDP growth being revised down to 3.6% that would result in a drop in investment flows. The overall demand in the region is primarily driven by population growth, which for different countries is on account of different reasons. While it is the strong growth in middle class in Egypt and Saudi Arabia, it is the expected 1.5 mn influx into Qatar, Dubai and Abu Dhabi over the next five years that is driving demand.



Source: MS, Blominvest



Source: MS Estimates, Blominvest

Therefore, the visibility on the long term growth story is greatest for Saudi Arabia, while Dubai appears to be the most vulnerable to external shocks. With the recent slowdown and the resultant cutbacks by companies, a large number of foreign workers have exited Dubai on account of lost jobs, professional insecurity and reduced confidence, which in turn has hit consumer spending hard. Furthermore, tourism, which is one of the foundations of Dubai's retail success, has seen dwindling numbers due to the global downturn. The long term picture for Egypt is still relatively uncertain as the country is exposed to external shocks as well, albeit to a far lesser extent than Dubai.

Nearly 75% of the planned increase in gross leasable area (GLA) across the GCC lies in Saudi Arabia and the UAE with Kuwait, Qatar, Bahrain and Oman accounting for the rest. The developments encompass housing, retail, office, industrial and hotel property space. According to a report by Kuwait financial centre 'Markaz', the value of all active current and future real estate and construction projects in the GCC stands at USD 1.7 trillion, equivalent to more than 150% of the region's 2008 GDP. The 18 major planned real estate projects alone are worth more than USD 200 bn.

According to a survey in February 2009 by Zurich International Life, foreign workers living in Bahrain and the UAE expressed plans to invest in the property market as a majority of them believe the property crisis in the region to be less severe than generally reported.

All these factors point to a strong case for property insurance to grow significantly over the coming years. However, the overall growth may be tempered in the immediate term due to the slowdown in construction activity amid the economic crisis, but long-term prospects remain strong. Further, the market's growth will be led by countries like Qatar, Saudi Arabia and the UAE, which are relatively mature but still heavily underpenetrated compared to developed countries. The increasing awareness about insurance will however, remain central to the corresponding growth in property insurance in tandem with the property market.

4.4.2 Local markets maturing gradually

The property insurance market in the Middle East is maturing partly due to liberalization in norms related to ownership by foreigners. Most GCC countries have gradually opened their property markets to foreign buyers since 2000, when Saudi Arabia opened doors for foreign investors. The Kuwaiti realty sector opened up in 2008, when citizens from other GCC countries were allowed to own property and land within its territory. In addition, development of commercial hubs like the Dubai International Financial Centre, Qatar Financial Center and Bahrain Financial Center has also strongly contributed to the overall growth story.

When it comes to projects, the emphasis is shifting from privately-funded power and energy projects to government-backed or public-private partnered infrastructure construction in roads, bridges and tunnels. In the case of public-private combined infrastructure projects, insurance firms need to satisfy more terms compared to government-backed projects. This is due to the complex requirements by lenders and other obligations for property developers and contractors to demonstrate risk management ability.

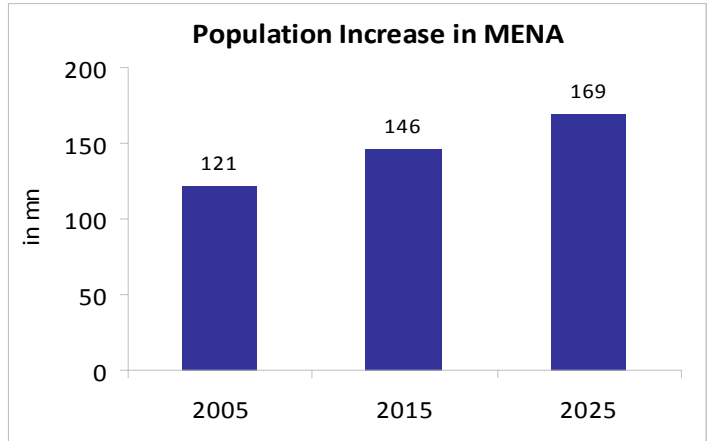
Landmark real estate development projects in GCC countries	
	Estimated cost USD bn
Kuwait	133
City of Silk	86
Khairan Residential City	27
Project Kuwait	9
Bubiyah Island	6
Failaka Island	5
UAE	31
Palm Deira	13
Palm Jebel Ali	8
Al Reem Islands	5
Palm Jumeirah	5
Saudi Arabia	30
King Abdullah Economic City	27
Jebel Omar Complex	3
Oman	11
Blue City	10
The Wave	1
Qatar	8
Lusail	5
Pearl	3
Bahrain	3
Bahrain Financial Harbor	1
Durrat Al Bahrain	1
Amwaj Islands	1

Source: Global investment House, Blominvest

4.4.3 Diverse demographic structures across the region

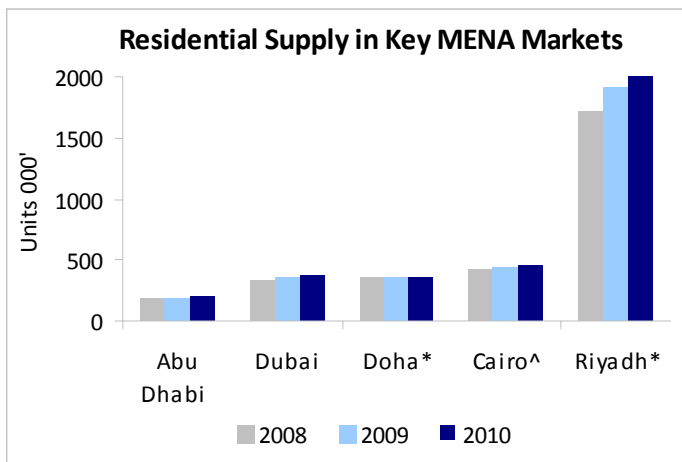
In addition to the expatriate-centric population structure in some countries, the overall size and growth potential are critical drivers for housing. Saudi Arabia possibly has the most suitable mix of growth drivers, with a population twice the size of the other five GCC nations. The country has the potential to attract expatriates both in the medium and long term. The UAE and Qatar have smaller populations, but the highest potential for growth when it comes to attracting expatriates.

Qatar and Abu Dhabi will likely register the highest population growth over the next few years. According to Colliers, Abu Dhabi will need an additional 120,000 units by the end of 2012 after factoring in the current unmet demand of 70,000 units (50,000 of which are in the middle-income segment). In Qatar, many residential projects are under construction and slated to be ready for occupation during the second half of 2009. An estimated 9,000 new high-end apartments will hit the Doha market by the end of 2010. Anecdotal evidence suggests that banks have resumed lending, albeit with conservative and significantly lower loan-to-value ratios in the range of 50-75%. Dubai will likely continue to be the preferred destination for foreigners seeking a high quality of life. However, population growth is likely to temper down, given the now well-established and rather mature services sector and increasing competition from other emirates like Abu Dhabi and neighbors like Qatar and Saudi Arabia in attracting expatriates.

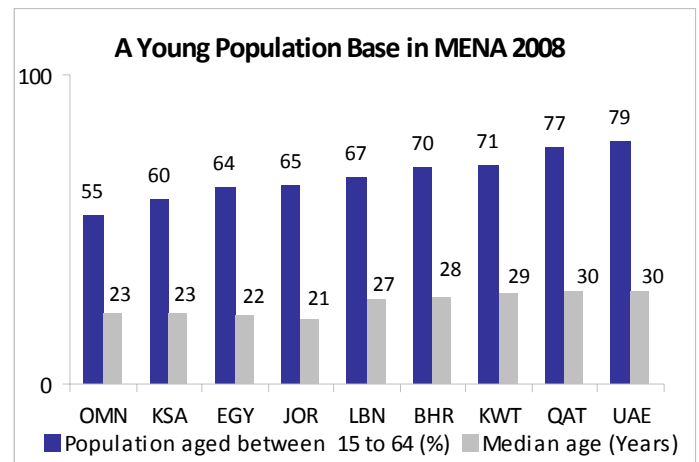


Source: UNCTAD, Blominvest

Egypt's population will grow at an average 1.9% till 2012, in line with average historical rates, with negligible expatriate presence. The country's property market is different from that in the GCC countries. The population structure and economic conditions have resulted in a distinct segmentation with most housing units targeted towards the middle and higher income brackets. The lower middle and low income segments, on the other hand, are typically served by the government or public sector developers.



Source: Colliers, CICR Apr'09, Blominvest



Source: CIA World Factbook, Blominvest

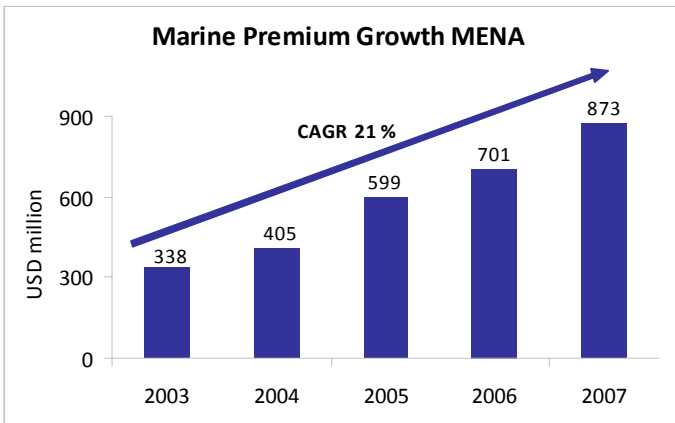
* m² GLA

^ Urban supply of Egypt

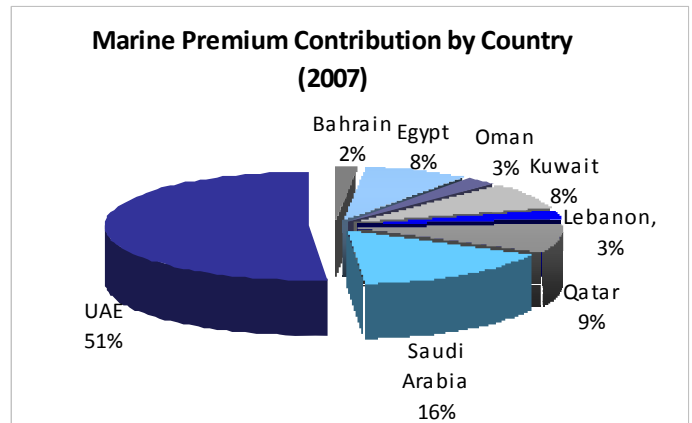
The associated growth in property insurance across different countries in the MENA region will be driven by varied factors. For countries like Saudi Arabia, the large population and favorable demographics will continue to drive property insurance as awareness increases. In most countries however, change in regulation allowing foreigners to own property will be a key growth driver. Even in countries like Egypt, where most of the private housing activity is targeted at the higher income segment, the need for coverage of expensive property against losses will eventually drive growth in the coming years. As economic activity picks up and loan-to-value ratios rise with easing credit norms, both lenders and house owners will seek insurance as a means to manage their risks better.

4.5 Marine Insurance

The total premiums in the marine insurance segment for the MENA region amounted to USD 873 mn in 2007 growing at a CAGR of 21% since 2003. The three largest marine insurance markets by total premiums were the UAE with USD 449 mn, Saudi Arabia with USD 142mn and Qatar with USD 77mn. Marine insurance comprises three types of insurance - Marine (or hull) insurance covers physical risks such as grounding, War Risk insurance covers acts of terrorism and piracy, and finally, Protection and Indemnity insurance covers issues related to protection. Hull insurance is the most prevalent form of insurance in the region. The UAE is one of the largest marine insurance markets as a result of the highest number of ships in the MENA region.



Source: BMI, Blominvest



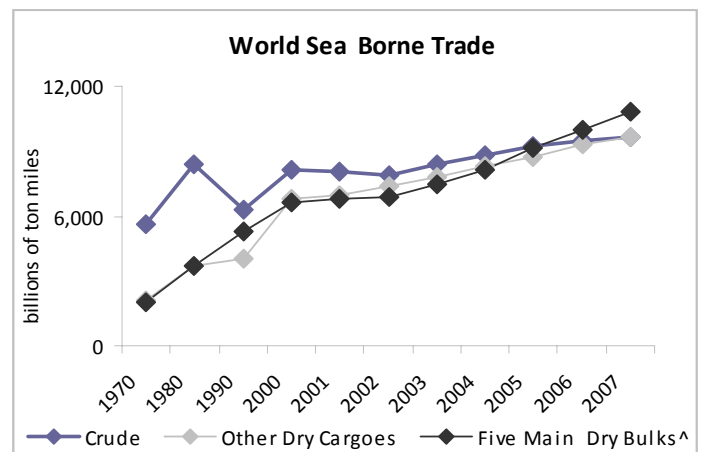
Source: BMI, Blominvest

4.5.1 Despite the economic weakness, MENA region's trade will likely show a positive trend

According to Review of Maritime Transport 2008 by UNCTAD, over 80% of the world's merchandise trade by volume is transported over sea. During 2007, the volume of international seaborne trade reached 8 bn tons implying a 5% y-o-y increase. During the past three decades, the annual average growth rate of world seaborne trade was estimated at 3.1%.

The demand in maritime transport services was boosted by the growth in the world economy and international merchandise trade. In 2007, the world's GDP grew at 3.8%, while world merchandise exports expanded by 5.5% during the previous year. Growth was fuelled by emerging countries and transition economies (mainly Eastern Europe). As a result of improved terms of trade, exporters of fuel and minerals saw an increase in overall volumes, which expanded at double-digit rates in Latin America (20%), Commonwealth of Independent States (CIS) (18%), as well as Africa and the Middle East (13%).

In 2009 however, developed economies are projected to remain in recession, whereas emerging countries are expected to show moderate growth, though mild compared to the previous year.



Source: Review of Maritime Transport 2008, Blominvest
^includes iron ore, coal, grain, bauxite/alumina and phosphate

The drop in the world GDP has caused a fall in demand for manufactured goods from western countries. This, combined with trade credit shortage, resulted in a similar decline in international trade of goods. Between the last quarter of 2008 and 2007, there was a drop of 45% in world trade values.

In spite of growing risks and uncertainties due to fluctuating non-oil commodity prices, the global credit crunch, and US dollar depreciation, the region's trade and commerce is well placed to benefit in the long term. This is due to its location as a strategic trade route between Asia and Europe. Furthermore, the region's shipping operators have close ties with large oil and natural gas producers, which is a strong competitive advantage. The growth of marine insurance has traditionally been in line with the growth in sea-borne trade. As a result, while the short-term prospects may be bleak given the economic environment, the steady-state growth is likely to continue the trend, driven by oil, minerals and commodities trade.

4.5.2 MENA provides attractive opportunities, even as most markets remain difficult

There are around 50,000 merchant ships involved in international trade, transporting all kinds of cargo, of which oil tankers and dry bulk ships are the most common. An oil tanker is a ship designed for bulk transportation of oil. A dry bulk ship, on the other hand, is designed to carry freight such as coal, finished steel, grain, sand or gravel, and similar materials. Another kind is the cargo ship or freighter that carries cargo, goods and materials from one port to another and finally, the container ship is designed to carry containerized cargoes.

The world merchant fleet expanded by 7% during 2007 to reach 1.1 bn deadweight tons (dwt) at the beginning of 2008. With the historically high demand for shipping capacity, the industry has consistently added tonnage, especially in the dry bulk segment. In 2007, orders from new vessels were at their highest level ever, reaching 10,053 ships with a total tonnage of 495 mn dwt, including 222 mn dwt of dry bulk carriers. The ordered tonnage of dry bulk ships at the end of 2007 was 12 times higher than that in June 2002. In fact, since mid-2007, dry bulk orders have outstripped those for any other vessel type. By May 2008, the world container ship fleet reached approximately 13.3 mn twenty-foot equivalent units (TEU), of which 11.3 mn TEUs was on fully cellular container ships.

World fleet by principal vessel types

(Beginning of yr figures, mn dwt)	2000	2005	2006	2007	2008
Container	64	98	111	128	145
General cargo	101	92	96	101	105
Dry bulk	276	321	346	368	391
Oil Tanker	282	336	354	383	408
Others	75	49	53	63	69
Total	798	896	960	1,043	1,118

Source: Review of Maritime Transport 2008, Blominvest

Leading indicators like the Baltic dry index (a barometer of commodity shipping cost) fell more than 90% by December 2008 since its peak in May 2008. The demand has been falling, while supply continues to grow at record levels. Rapid expansion in fleet size in response to the high demand till mid-2008 is now resulting in excess capacity, which is expected to weigh heavily on charter and freight rates through 2010. Subsequently, as large order bookings are cancelled, the sector will likely see a phase of rapid capacity cutbacks.

Interestingly, a large part of the global weakness is in the bulk and container segments, where the MENA region has limited exposure. It is worth noting that most ship owners in the region run their vessels on charter and are not exposed to the volatile spot markets. Besides, the region's focus has been on the energy sector, which has been generally one of the most resilient during troubled times. For instance, while VLCC (crude) tanker rates have gone back to their 2007 levels, dry bulk is trading at almost 90% below the 2007 daily rates. Therefore, the region will most likely outperform even in the current cycle. In line with this, marine insurance in the MENA region will likely witness faster growth compared to developed markets. However, given the already low quantum of overall premiums, it will take a few years to grow in significance at an international level.

4.5.3 Miniscule marine industry in terms of fleets and premium contribution

The maritime industry in the MENA region has seen moderate growth. The region's share in the world's total deadweight tonnage stood at 2.4% as of the beginning of 2008, up from 1.8% a year ago. Maritime fleets in the region account for 27.1 mn DWT with 657 total vessels, of which the UAE and Saudi Arabia alone account for 89% of the total. Furthermore, as per preliminary estimates, container port traffic in the region improved 13%

MENA fleet by principal vessel types 2008

Beginning of year figures (mns of dwt)	UAE	Kuwait	KSA
Oil Tanker	4	4	12
Dry Bulk	2	0	0
Container	1	1	0
General Cargo	1	0	0
Other	1	0	1
Total	9	2	13

Source: Review of Maritime Transport 2008, Blominvest

to 26 mn TEUs in 2007 compared to 23 mn TEUs in 2006.

According to the International Union of Marine Insurance, global marine insurance premiums in 2007 reached USD 22 bn, which constituted a mere 1% of the total insurance premiums across the globe. The marine business from the region accounts for only 2% of the global business in terms of fleets. However, in terms of premiums, the region contributes 4% to the worldwide total. Being grossly under-penetrated, the region clearly holds significant potential for growth.

4.5.4 Increasing pirate attacks present both a challenge and an opportunity

The rising pirate attacks in the Gulf of Aden and over 50 reported attacks off the coast of Somalia that saw 32 vessels being hijacked during the first eight months of 2008, are posing difficult challenges and potential growth opportunities for the marine insurance industry. The recent hijacking of the Saudi oil tanker *Sirius Star*, carrying USD 100 mn worth of crude oil was one of the largest ever loss on account of seaborne pirates. The increasing incidents of piracy have brought the spotlight to a problem that has bothered the shipping industry for years and underscores the need for players to mitigate the risks through insurance.

London's Lloyd's Joint War Committee, which represents the interests of insurers underwriting war and related risks, identified the Gulf of Aden as a high-risk area in May 2008. In December 2008, Lloyd's underwriters launched a new kind of marine insurance policy aimed at covering a gap in the standard coverage. The policy designed by Lloyd's broker Aon covers the loss of earnings incurred by charterers, ship-owners and cargo owners even while a ship is being detained by pirates.

The importance of this issue is reflected in the change in the attitude at Lloyds of London - the leaders in marine insurance. Lloyds is currently looking to move piracy from hull to war clauses, same as other markets, which was traditionally covered under hull and machinery clause due to low occurrence of such cases.

Piracy Map for the Gulf of Aden



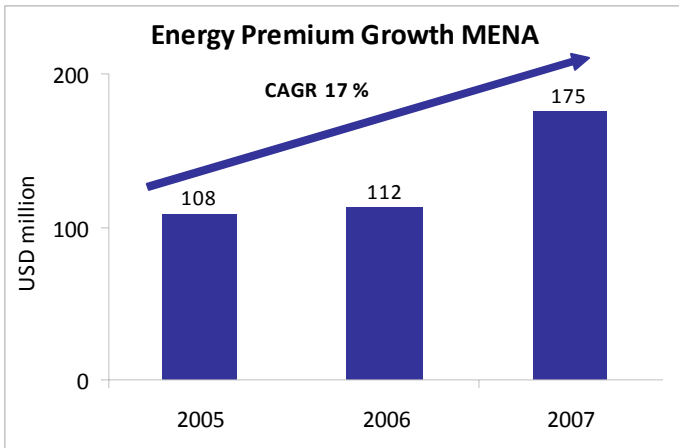
Source: Quantum, Blominvest

"The recent spate of pirate attacks in the Gulf of Aden/Horn of Africa has highlighted how ship-owners and charterers are incurring significant uninsured costs with no recourse. We decided to do something about it across the marine industry so all parties affected by an attack could recover their loss of earnings."

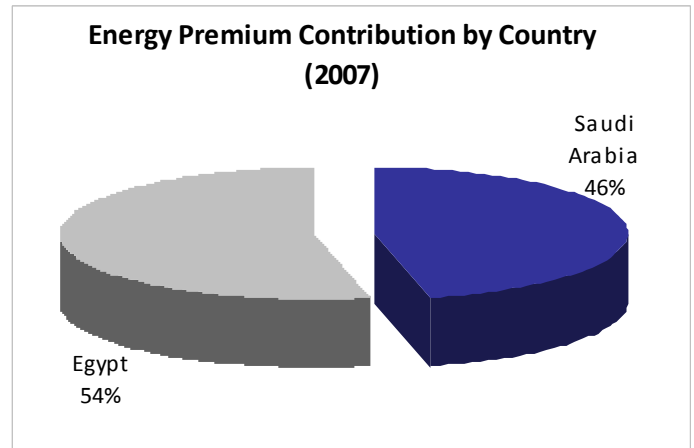
- **Peter Townsend**
(Head of Marine Hull Insurance, Aon)

4.6 Energy Insurance

Energy insurance covers oil, gas, minerals, electricity generation, and other related industries. It also covers construction, energy equipment, pipes, and other essential assets of these industries. Such insurance provides coverage for expenses, lost production, business interruption, overshoots, and losses resulting from leaks, pollution, drilling, and other liabilities. In the MENA region, energy insurance posted a double-digit CAGR of 17% over 2005-2007 to reach USD 175 mn. The two largest energy insurance markets by total premiums in 2007 were Egypt with USD 94 mn and Saudi Arabia with USD 81 mn. Energy insurance is one of the most important segments in Saudi insurance market due to the importance of the industry to the country's economy.



Source: Regulators, Blominvest



Source: Regulators, Blominvest

4.6.1 Saudi Arabia is an attractive market for energy insurance

The energy market in the Middle East, especially Saudi Arabia, boasts of the lowest losses in the industry across the world. These losses average USD 130 mn annually in comparison to USD 1.4 bn annually in the United States. International reinsurance companies consider Saudi Arabia's energy industry of great importance because of its growth and strategic significance. The kingdom owns 22% of the world's proven oil reserves, exports an average of 10 mn barrels per day, and will likely remain the largest net exporter in the foreseeable future.

Tawuniya, the leading insurance company in Saudi Arabia signed deals with ten local and international companies during 2007 to provide insurance in the energy sector. The company's scheme covers all the projects signed by the ten companies at a total of SAR 180 bn. Munich Re, one of the biggest reinsurance company in the world, signed an agreement with the Saudi Arabia Co-operative company for Insurance (NCCI) to provide energy insurance coverage of up to USD 100 mn in the Saudi market.

"The contracts signed are considered to be the first of its kind for a Saudi company to provide energy insurance to companies in Saudi Arabia with the collaboration of international energy market."

-Fahd Al-Hisni
(Deputy Executive Director for Properties and Accidents, Saudi Arabia)

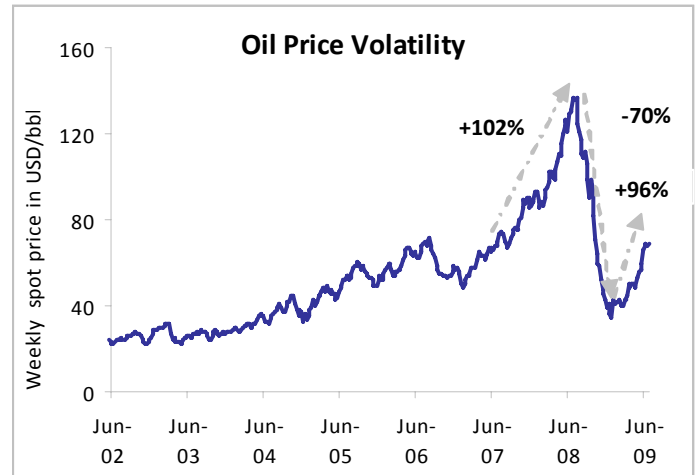
4.6.2 Recent developments may lead to difficult times ahead

Through mid-2008, the worldwide demand for oil and natural gas had increased to record levels. Sustained consumption in developed markets and the increasing demand from China and India had pushed up prices to historic highs. The trend attracted new capital into the industry, fuelling a construction boom in oil, gas and petrochemical plants across the MENA region.

Crude oil prices hit the highest level (USD 145 a barrel) in mid-2008. Since then, a lot has changed. Prices retreated to a 5-year low of USD 31 towards the end of 2008 and have moved back up to around USD 70 more recently. The volatility in energy prices meant considerable challenges for the insurance market, with regional downstream capital costs having risen by 63% since

2000. Asset valuations for refineries increased as much as 19% during 2007. In addition, high cost inflation in respect of both new facilities and de-bottlenecking projects, coupled with longer lead times, create significant upward pressure on estimated maximum losses (EMLs).

Since 2004, there have been four major catastrophic events, mostly vapor cloud explosions that have led to huge losses totaling over USD 1 bn. For the period, the premiums collected in the MENA region for onshore refining and petrochemical risks could hardly cover the enormous losses. Apart from pricing, the inadequacy of deductibles in view of the large exposures faced by underwriters is another major factor for this gap. Finally, with the decline in oil prices, refining and petrochemical assets are experiencing reduced values and diminishing profits. Sum insured is expected to decrease for both physical damage and business interruption coverage causing a decrease in premium volume.



Source: EIA, Blominvest

5 Takaful – Islamic Insurance

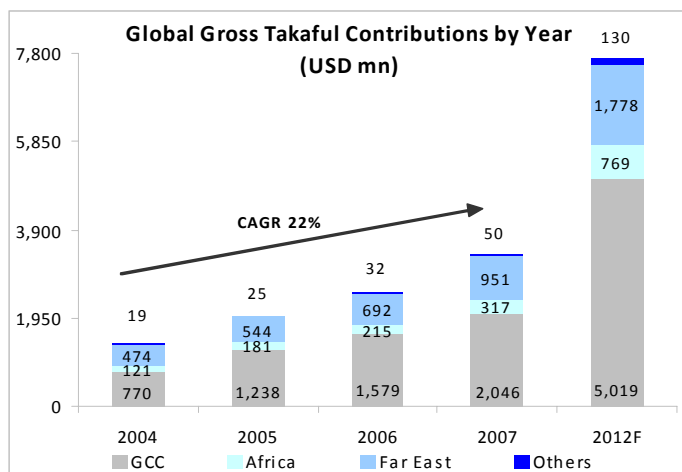
Islamic insurance or Takaful is relatively young compared to other forms of insurance or, for that matter, to the Islamic form of banking itself. However, the concept has rapidly gained in popularity and has been growing significantly during the recent years. Global Takaful contributions were estimated at around USD 3.4 bn for 2007, accounting for about 0.05% of the world's insurance premiums. The industry is still small and, hence, holds strong potential for future growth. In terms of global Islamic assets, Takaful's contribution is only 9%, which is substantially less than that of Islamic banking and Islamic banking windows, which contribute 29% and 23%, respectively. The rest is accounted for by Shariah-compliant equity funds and Sukuk. Nevertheless, the importance of Takaful will be grossly underrated going by current size alone. The segment holds substantial potential for growth both in Muslim countries in the Middle East and Asia, and in the more developed markets like France, Germany and the UK, which have significant Muslim populations. Takaful already forms an important part of the total insurance market in certain Muslim countries, many of which are witnessing rapid growth in insurance uptake. The increase is likely to continue with steady urbanization and ageing of the workforce, while being aided by the improving standard of living in these countries.

"Takaful has become one of the leading segments of the financial sector across the Asian, Arab and African regions with growth rates of 15% to 20% over the last couple of years. There are currently around 143 Takaful operators worldwide. Total direct Takaful premiums are estimated at approximately USD3.4 bn in 2007. The GCC countries provide around 61% of the global Takaful business, followed by Far East with 28% and African countries some 9%, with others contributing only 2% to Takaful revenues"

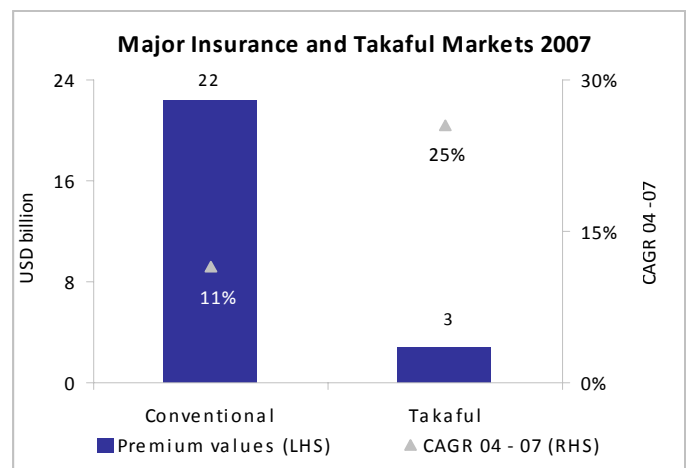
-World Takaful report 2009, Ernst & Young

The Middle East and the Far East constitute the primary markets for Takaful, with Africa accounting for a small percentage of total premiums. The Far East is defined here as Philippines, Vietnam, Cambodia, Laos, Thailand, Malaysia, Singapore, Myanmar, Brunei, and Indonesia. The most important Takaful markets include Malaysia, Indonesia, Saudi Arabia, the UAE and Bahrain. In 2007, conventional premiums totaled USD 22 bn compared to the small base of USD 3 bn in Takaful premiums, suggesting strong growth opportunities for Takaful. The base may be low currently, but the premiums have grown at an impressive CAGR of about 25% compared to 11% registered by conventional insurance between 2004 and 2007.

The global Takaful market is expected to grow at an annual rate of 15-20%. According to Ernst & Young's World Takaful report 2009, total worldwide Takaful contribution (covering both life and non-life) is expected to reach USD 7.7 bn in annual premiums by 2012. Nearly USD 5 bn of this estimated amount will be written in the GCC markets, USD 1.8 bn in the Far East, and about USD 769 mn in Africa.



Source: E&Y World Takaful Report 2009, Blominvest



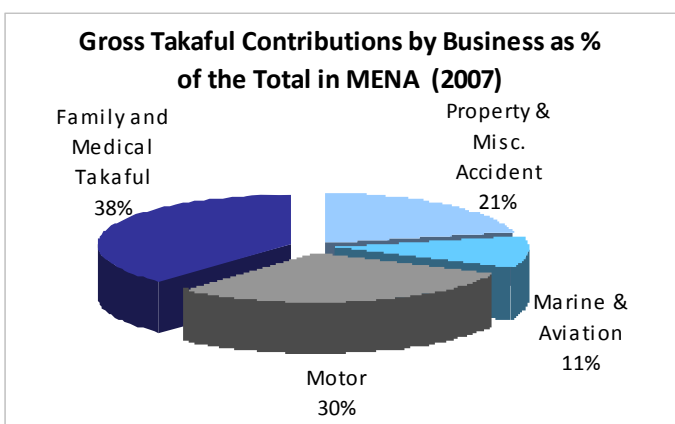
Source: Swiss Re, E&Y World Takaful Report 2009, Blominvest

(Note: Please refer Appendix for understanding Takaful)

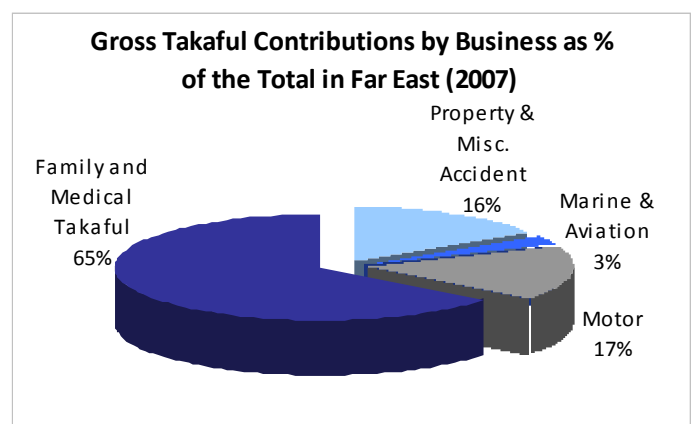
Many multinational insurers expanding into the Islamic insurance segment are located in either Bahrain or Malaysia - two countries that have been particularly proactive in developing the necessary regulatory framework and the supporting infrastructure for the development of Islamic Finance in general. In recent years, many other countries have made good

progress towards developing a suitable business environment for Takaful operators. One such example is that of Pakistan, where a new legislation was published in September 2005. The legislation contains rules governing Takaful that are in more detail than what have previously been seen in any country before. The rules permit conventional insurance companies to open Takaful windows after five years, presumably from 2010, but even until then, the rules provide a good framework for purely takaful companies to operate effectively. Following this development, Qatar Islamic Insurance Company has established two ventures in Pakistan, one for general and other for family Takaful.

Takaful products exist across nearly all lines of business including medical, life, motor vehicle, fire and property. General Takaful accounts for the majority of business in the MENA region, whereas family and medical insurance dominates the Far East markets. About 62% of the premiums are contributed by non-life in the MENA region. Health Takaful is a rapidly growing sector in the GCC as health insurance is increasingly being made compulsory across these countries. At present, gross Takaful contributions from family and medical insurance in MENA and the Far East regions amount to 38% and 65%, respectively, of the total written business. However, with rising awareness levels in Muslim nations and the development of innovative family Takaful products, such insurance is becoming increasingly acceptable as a means of protection and is likely to grow substantially.



Source: E&Y World Takaful Report 2009, Blominvest

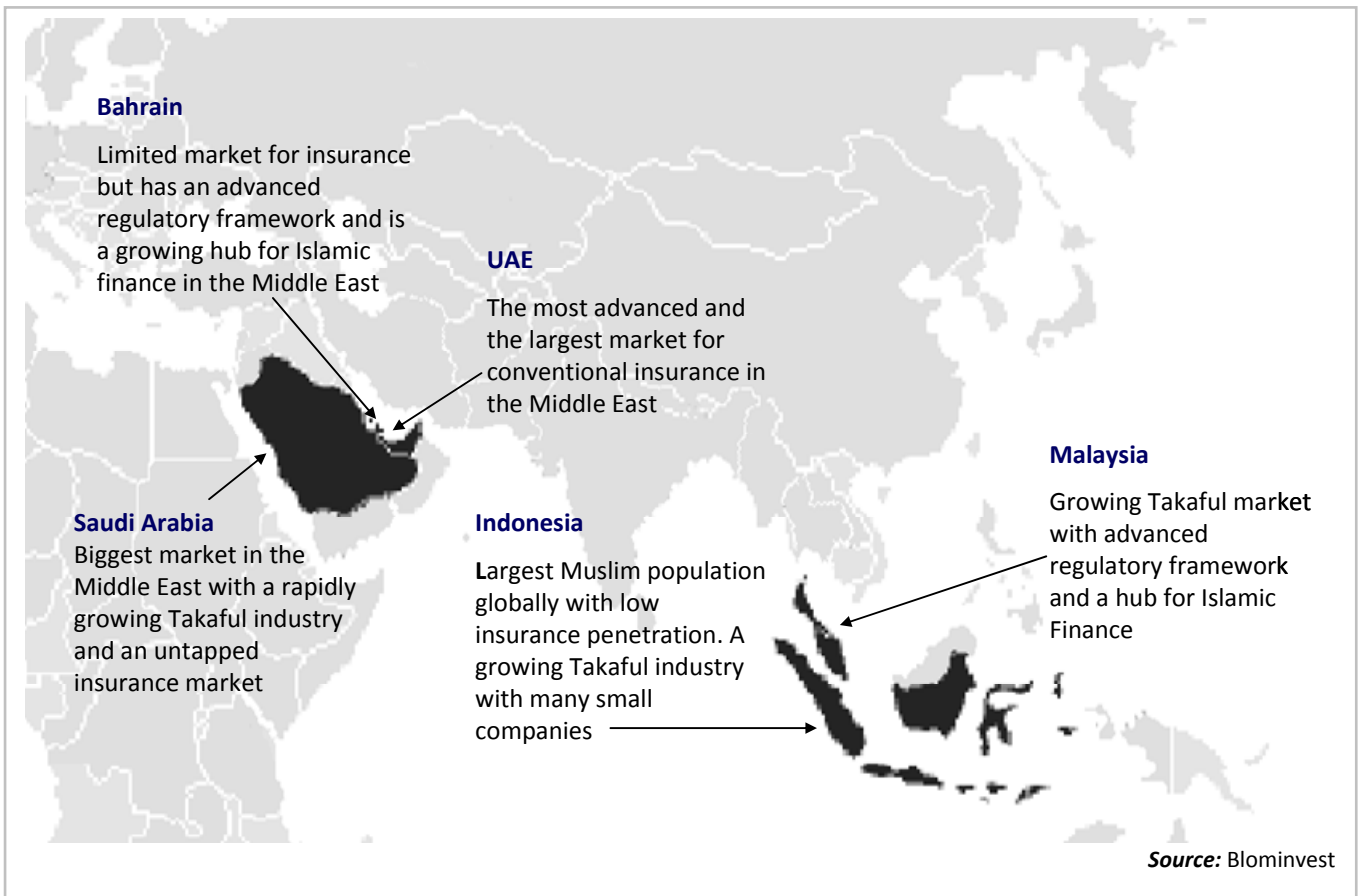


Source: E&Y World Takaful Report 2009, Blominvest

The amount and comprehensiveness of the data related to Takaful operators is limited but various estimates indicate well over 140 Takaful operators worldwide, with more new entrants appearing on the scene rapidly. The number will be even higher with the inclusion of Takaful windows, which are basically Shariah-compliant insurance products offered by a larger entity that itself may not be an Islamic Finance Institution (IFI). The Shariah-compliant subsidiaries of conventional insurance companies are generally included in this segment of Takaful windows.

Significant Takaful and re-Takaful (the Islamic counterpart of reinsurance) operations were established by major conventional reinsurance players like Munich Re, Prudential, AIG, Tokio Marine, Swiss Re in 2006, and Aviva and Allianz reinsurers in 2007. Foreign players are accelerating entry into the region's growing Islamic finance markets to grab market share as well as to leverage their existing expertise to reach a new client base. Till recently, Dubai Islamic Insurance and Reinsurance Company and Takaful Re Limited based in the UAE were the two main local re-Takaful players in the region. However, in October 2008, Al Fajer re-Takaful Insurance Company KSCC (Al Fajer Re) was established in Kuwait as the region's third re-Takaful player and, most interestingly, is now the world's largest in the business.

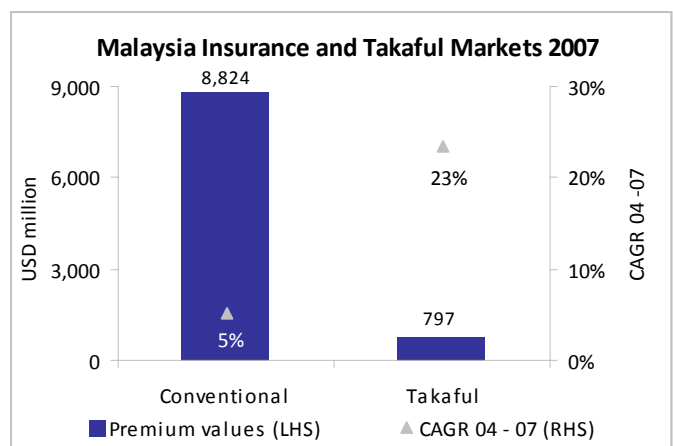
5.1 Five major Takaful markets



5.1.1 Malaysia: a hub for Islamic Finance - growing Takaful market with mature regulation

Malaysia was one of the early starters in the Takaful industry. The first Malaysian Takaful company, Syarikat Takaful Malaysia, was established in 1984, but the Takaful industry did not really take off in any meaningful way until Bank Negara Malaysia's (BNM) Financial Sector Master Plan (FSMP) was rolled out in 2001. With FSMP, BNM's objective is to promote the long-term growth of the segment through specific administrative measures, including the grant of new licenses, gradual increases in paid-up capital requirements, and a systemic review of the Takaful Act 1984.

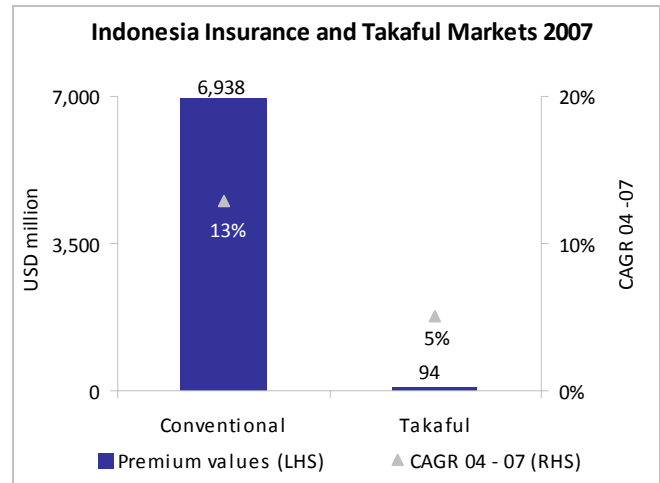
Takaful in Malaysia has benefited from the recent infusion of fresh capital and entry of international players with operational expertise. The country's large Muslim population (more than 60% of the total) provides a substantial customer base. Industry growth is phenomenal with net Takaful contributions growing 49% in 2007 compared to a 30% growth in 2006. Given BNM's efforts, Takaful is well-positioned to witness significant growth over the next few years. BNM's policy target is to raise the industry's penetration (as a percentage of the overall population) to 20% by 2010 from less than 6% in 2007. While the target appears aggressive, most operators seem to share the regulator's optimism on the opportunities that the country presents for Takaful.



Source: Swiss Re, E&Y World Takaful Report 2009, Blominvest

5.1.2 Indonesia: largest Muslim population globally with low insurance penetration - growing but fragmented Takaful industry

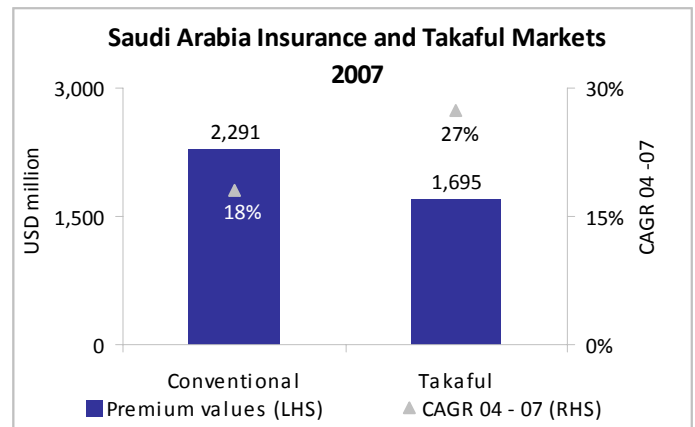
Indonesia is one of the most populated countries in the world. More importantly, almost 87% of the 235 mn strong population comprises of Muslims, making it one of the most attractive market for Islamic products. The growth of Islamic insurance was slow initially with only five Shariah-compliant insurance companies in the year 2002. In 2008, Takaful products were sold by three pure Takaful operators and 32 conventional insurers. The asset size of Islamic insurance more than doubled from USD 56 mn in 2006 to USD 150 mn in 2007. Supported by the positive growth outlook in the Takaful market and with increasing awareness and acceptance of Takaful products, the Indonesian market is forecast to reach USD 1.2 bn by 2015.



Source: Swiss Re, E&Y World Takaful Report 2009, Blominvest

5.1.3 Saudi Arabia: biggest market in Middle East - rapidly growing Takaful industry and huge untapped potential

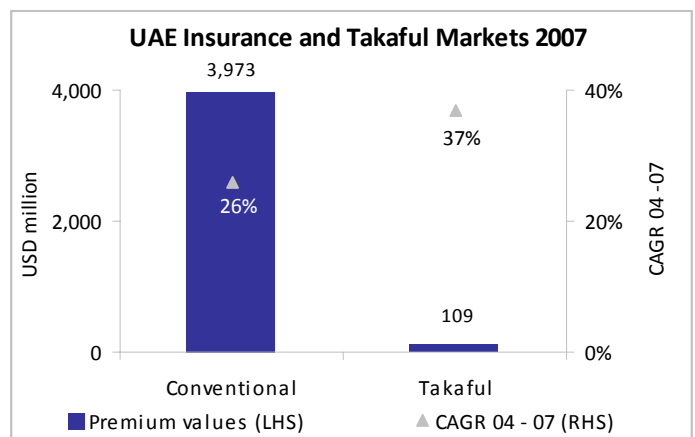
The insurance sector in Saudi Arabia posted strong growth thanks to the introduction of mandatory lines such as health and motor insurance. According to Ernst & Young's World Takaful Report 2009, Takaful contributions totalled USD 1.7 bn as against the USD 2.3 bn contribution by conventional insurance. Takaful companies operate across all lines of business in the country, though market volumes for individual business lines are unavailable. Nonetheless, health and motor insurance are considered to be the most popular, but the awareness levels continue to remain low. Increased focus on marketing activities by Islamic insurance companies is likely to play a vital role in raising awareness about insurance and help refute certain myths. Takaful companies are well-positioned to capture a significant share in the life segment. It is expected that Saudi Arabia's Takaful market will exceed USD 2 bn by 2012.



Source: Regulators, E&Y World Takaful Report 2009, Blominvest

5.1.4 UAE: the most advanced and largest conventional insurance market in the Middle East

The UAE is the biggest and possibly the most mature market in the MENA region with premiums from conventional insurance amounting to USD 4 bn, having grown at a CAGR of 25% between 2003 and 2007. Motor insurance is the biggest line of business accounting for 32% of the total premiums in 2007. It is followed by property insurance that accounted for 21% fuelled by the massive infrastructure boom. Life insurance with a 14% share is growing as well. As a result of a new law that makes it compulsory for employers to provide adequate coverage to their workforce, medical insurance is the newly emerging segment. According to Ernst & Young World Takaful Report 2009, Takaful contribution in the UAE stood at only USD 109 mn, which is significantly low

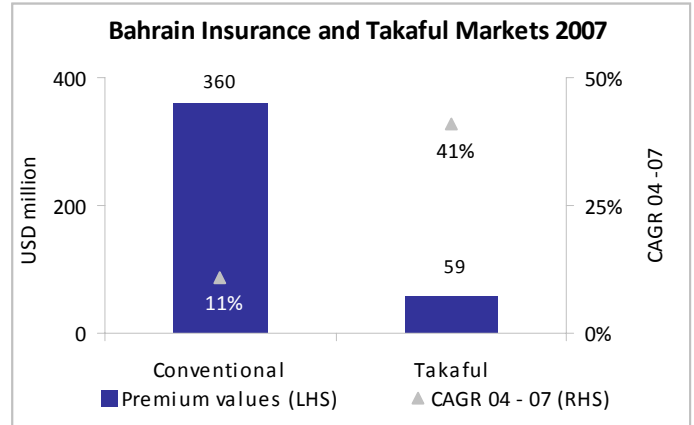


Source: ARIG, E&Y World Takaful Report 2009, Blominvest

compared to conventional insurance’s contribution of USD 4 bn. Nevertheless, Takaful’s CAGR of 37% over 2004 to 2007 has outpaced that of conventional insurers, which posted a CAGR of 26%. In the short term, the strong growth in the Takaful sector is anticipated to be fuelled by motor and health segments now made compulsory in certain countries. Takaful contributions in the UAE are expected to touch USD 610 mn by 2015.

5.1.5 Bahrain: small insurance market, advanced regulatory framework and an emerging hub for Islamic finance in the region

According to the Ernst & Young World Takaful report 2009, total Takaful contributions during 2007 stood at USD 59 mn, while conventional insurance contributed USD 360 mn. Takaful contributions grew on a CAGR of 41% over 2004 to 2007. Motor insurance is the biggest line in Takaful with a 35% share followed by health (21%) and property (14%). Family Takaful accounts for 8% of the market. Currently, there are 19 companies - 18 Takaful and 1 re-Takaful with licenses to operate Islamic insurance businesses in Bahrain. Takaful’s contribution in Bahrain is projected to reach USD 200 mn by 2015. The market for Takaful could potentially grow to account for 30% of the total insurance market in the country thanks to the rising popularity of family Takaful.



Source: Regulators, E&Y World Takaful Report 2009, Blominvest

6 Opportunities and Challenges

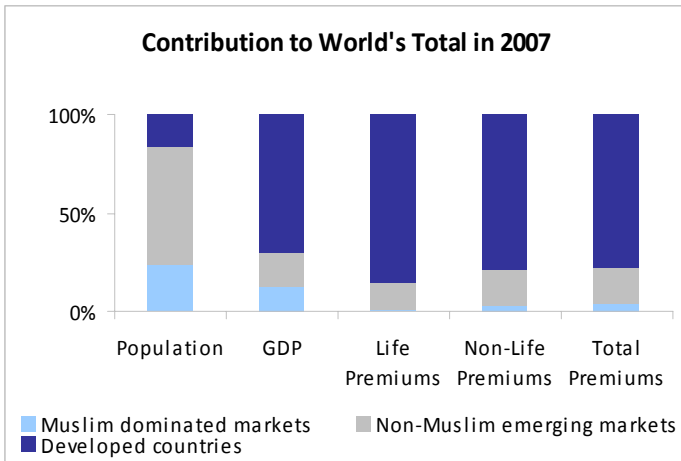
6.1 Multiple factors indicate strong growth in the future ...

6.1.1 Rapidly growing Muslim population and supporting demographics

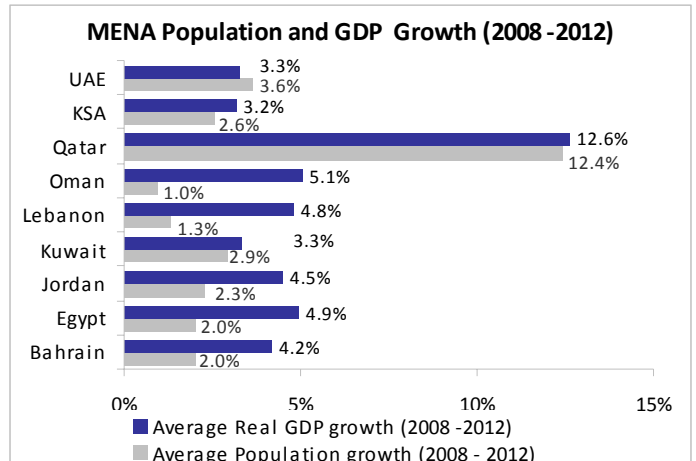
About one-quarter of the world’s 6.1 bn people follow the Islamic faith. The world Muslim population is mainly concentrated in the MENA region, South Asia and East Asia, while about 300 mn Muslims live as minority communities in other countries. Of this, India accounts for the largest with approximately 13% (or 157 mn) of the population, while China is home to 40 mn Muslims that form 4% of the country’s population. One of the important cultural factors responsible for the underdevelopment of the insurance sector in the MENA region is the incompatibility of conventional insurance (especially life insurance) with Shariah principles. Another reason is the lack of enough Shariah-compliant insurance products leading to massive underinsurance across the Muslim population. Total premiums across Muslim-dominated countries amounted to just about 1.3% of the GDP compared to the 7-10% seen in developed markets, indicating strong potential for future growth.

The population in the MENA region is expected to grow at 2.1% annually over the next 10 years, exceeding the global average of 1.2%. Within the scope of the Mena countries, Saudi Arabia and Egypt together account for a big fraction of the region’s population. The UAE has the highest population growth rate of 4.9% annually registered over the last 5 years, mainly due to the influx of foreigners. Almost 80% of the nation’s population comprises of non-nationals, as opposed to the GCC average of 45%.

The MENA region has witnessed strong economic growth attributable to the discovery of vast oil deposits in the region. Despite record declines in oil price from the peak levels in mid-2008, the oil-rich GCC countries still constitute one of the wealthiest regions in the world. The emergence of the Middle East as an economic powerhouse, fuelled by the abundant energy resources located within the region, and initiatives by major regional companies to expand global footprints have defined the past two decades. Despite this, the insurance sector has lagged. Swiss Re assumes that if every Muslim spent on insurance, the average insurance outlay would have been USD 56 bn in 2007.



Source: Swiss Re, US State Dept, CIA World Factbook, Blominvest



Source: IMF, Blominvest

6.1.2 Popularity of Islamic Banking likely to support Takaful

Over the past two decades, while Islamic banking has posted strong growth, Takaful is still evolving, both as a concept and as an industry. It is anticipated that the success of Islamic banking will boost the uptake for Takaful as well. Like in other developed countries, the distribution of insurance products through banks (bancassurance) is growing in popularity, and same is the case with its Islamic counterpart termed Bancatakaful. The trend will further add to the growth of Takaful by making such products available to a larger customer base that insurers can reach out through these banks. Increasing the overall awareness levels about the compliance of insurance with Shariah principles will go a long way in cementing the growth prospects going forward.

Although many large investment projects in the MENA region are supported by Islamic banks, they are still insured by commercial insurers in a majority of cases. A change to Takaful coverage would provide the sector with the necessary impetus as such large commercial and corporate businesses offer significant growth opportunities. As a corollary, re-Takaful will grow further as well.

6.1.3 Both global and regional players will help increase consumer awareness

International players have set up Takaful operations and have grown significantly during the last five years. Global players that are sufficiently capitalized and have a multinational approach to Takaful are a great positive for the market. These players not only boost competition and provide more options to buyers, but also help in increasing awareness, thereby encouraging further growth.

6.1.4 Significant opportunities across non-life segments

The insurance market in the MENA region is dominated by the non-life business, driven by factors like: a) compulsory third-party auto insurance; b) compulsory health insurance for expatriates c) strong growth of the real estate sector during the past decade. Non-life insurance accounted for 81% of the total premiums in 2008 - almost double the global average of 41%. Looking ahead, this segment is expected to post double-digit growth, powered by an overall positive economic growth and a rising influx of immigrants, which now make up over 45% of the GCC's total population. The consequent rise in demand across property, health and auto insurance is expected to contribute to the high growth rate in the non-life insurance segment. Another growth factor could be the marine insurance segment, given the region's strength in oil and gas, and the present 4% contribution to world premiums, which implies that the segment is still rather underpenetrated.

6.1.5 Takaful will not be limited to Muslim consumers alone

The distinctive elements of the Takaful product – transparency over product profitability, profit sharing, and the limitations on acceptable investments (businesses like alcohol or gambling not allowed) – may be attractive to the growing category of 'ethical investment' proponents. Evidence from existing Takaful markets supports this claim as well. One particular Shariah-based investment-linked fund in Singapore has 50% non-Muslim participation, and the product has been successful despite being marketed to an 85% non-Muslim population. Similarly, in Malaysia, Takaful is popular amongst both Muslims and non-Muslims, with the latter constituting over one-quarter of the policyholders in some cases.

6.2 *...if significant challenges are addressed*

6.2.1 Stringent competition and low capitalization

Conventional insurers generate higher revenues and returns, given economies of scale, and pose tough competition to Takaful firms. Most Takaful players have limited operations that are under pressure to maintain pricing, and hence, margins. This is in addition to modest capitalization levels for a majority of Takaful businesses, especially the Takaful funds. Improving the capital base within a Takaful fund is a challenge, since the surplus is usually provided by the participants and grows gradually.

6.2.2 Lack of regulation and standardization

The legal system varies significantly across jurisdictions, particularly as some countries follow a Shariah-based approach (Iran, Saudi Arabia, and Sudan), while others (Malaysia and Bahrain) follow a dual system with Shariah-based laws in force alongside either common or civil law. In some other countries (the UK and France) with significant Muslim populations, Shariah plays little or no role in the legal process. Consequently, there is a wide divergence in the extent to which the legal and regulatory frameworks in different countries address Takaful.

Increasing the standardization in the operating models for Takaful will help the business grow globally. In this direction, various governments in Muslim-dominated countries are working to address these challenges. Malaysia is in the process of updating its Takaful Act of 1984, while advances are being made by countries such as Pakistan and Saudi Arabia as well.

6.2.3 Consumer awareness holds the key

For centuries, Muslims have believed that conventional insurance, particularly life insurance, is not in line with certain core principles laid down by the Shariah law. As a result, awareness about the concept and the benefits of insurance itself is very low. Most people in the MENA region opt for social security schemes floated by the government instead of insurance-based retirement financing approaches. The mindset is set to change, especially with the growing popularity of Islamic finance options that are ratified by the Shariah authorities in these countries. Islamic insurance continues to be a topic of debate and is gaining in popularity gradually. The recent moves by many governments to make certain insurance types (like motor and health) compulsory is likely to raise awareness levels not only about the concept, but also the various products available in the market.

6.2.4 Competitive pricing and efficient services

Islamic insurance cannot rely exclusively on Shariah-compliance as the selling point for its products, since price and service quality will also play a critical role going forward. For example, in Malaysia, efficiency of distributing surplus to policyholders owning a Takaful product has been pivotal to the relative success.

6.2.5 Skilled staff and Shariah expertise are limited

There is a lack of qualified and experienced professionals in the field of insurance and Shariah. It is even more difficult to find management staff and skilled Shariah scholars, the main reasons being the relative lack of Shariah standardization and the historically low uptake of insurance in the MENA region. Efforts are on in Bahrain and Malaysia to establish various Takaful education programs to train and develop a skilled workforce, which will help boost the growth of the industry during the coming years.

7 Future Outlook

The world has recently witnessed possibly the worst economic crisis since the 1930s. Though some parts of the world are seeing a partial recovery, the crisis is far from over. The ensuing liquidity crunch that hit the major financial markets persists and puts a question mark on the pace at which things will get back to normal. Although the impact to the MENA region has not been strongly felt, it is clear that the region is far from insulated despite numerous decoupling theories doing the rounds. Particularly exacerbating the situation was the record plunge in oil prices, as hydrocarbon revenues have traditionally been the most important growth driver for the region. As a result, most countries in the MENA region are likely to record significantly reduced or even negative growth rates this year.

Despite the slowdown, the regional insurance sector looks all set for strong growth with a major chunk of the potential market still lying untapped. Currently, the sector is in the midst of many changes that include the introduction of tighter supervision, new compulsory insurance categories, liberalization and opening up of the market. As a result, consolidation in the industry is likely to speed up as more international companies try to enter and capture market share. Given that the region has been largely underpenetrated, there is a good chance that MENA's insurance growth will be substantially higher than international growth in the longer term.

While insurance penetration rates range from 11% to 16% in Western Europe and North America, which are regarded as the most insured societies, the MENA region still has a long way to go to even reach 5% levels. Penetration in the UAE is yet to cross 2%. Besides, total premiums in the region amounted to USD 14 bn during 2008, compared to developed insurance markets like Europe (USD 1.7 trillion), the Americas (USD 1.4 trillion), and Japan & NIC (USD 675 bn). As a result, the contribution of insurance to the regional GDP is minimal (roughly 1%), despite the double-digit CAGR that insurance premiums registered between 2003 and 2008.

The future prospects for insurance are reinforced by regional demographic patterns. The region's population is likely to grow strongly in the foreseeable future given the high proportion of youth currently. The last few years of prosperity brought about certain socio-economic changes. The region saw the growth of a large middle class, in turn leading to a rapid increase in insurable family and personal assets. Coupled with the greater awareness resulting from increased global media penetration, the insurance market in the region is beginning to grow. Mitigation of risk is increasingly being perceived as a social and economic necessity. Some analysts believe that insurance markets in the MENA region will likely follow the growth patterns earlier seen in Western Europe and North America.

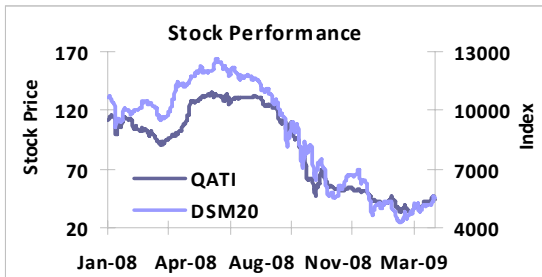
Islamic insurance, or Takaful, will definitely add to the growth of insurance in the Muslim-dominated MENA region. The Muslim population has been largely underserved by insurance primarily due to philosophical conflicts with Shariah principles. According to an Ernst and Young report, worldwide Takaful premiums have potential to reach USD 7.7 bn by 2012, from USD 3.4 bn in 2007. Within the GCC alone, the Takaful market has the potential to reach USD 5.0 bn by 2012, from USD 2 bn in 2007, just at current growth rates. Certain inherent features of Takaful make it attractive to non-Muslims as well, with Oliver Wyman suggesting that up to 20% of Takaful revenues could originate from non-Muslim customers. Bancatakaful is likely to be the fastest growing distribution channel in the case of Takaful, aided by the rapid growth of Islamic banking.

Considering all the above factors, the medium and long term outlook for the insurance market in the Middle East looks promising. Underwriting activity in markets across the region is projected to expand at double-digit growth rates until 2012. Of course, there are the challenges of regulatory support, supervision, human resource capabilities, capital adequacy requirements, new accounting and disclosure standards and general awareness. If however, and whenever, these challenges are addressed by the industry in collaboration with the authorities, there is every reason to believe that insurance in the MENA region will be at par with the most developed markets across the world. This conclusion is already confirmed by the growing interest of international insurance companies in the region. For local providers, on the other hand, this is the right time to establish and consolidate their presence. Whether local or international, ultimately, the increased competition will provide a broader array of options to the customer and improve market orientation, which is the cornerstone of sustained growth for any mass-consumer industry.

8 Appendix

8.1 Major Players – Company Profiles

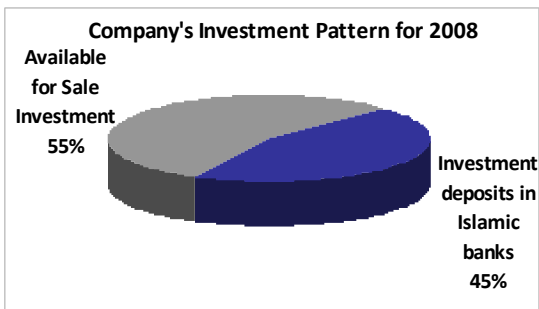
8.1.1 Qatar Insurance Company



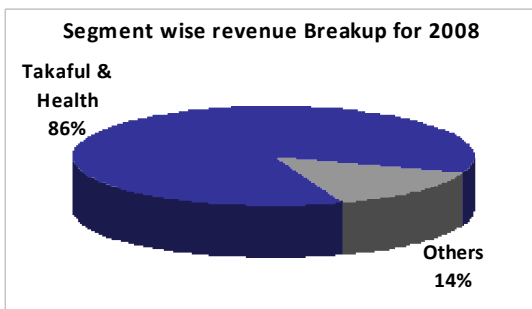
Source: Bloomberg, Blominvest

Major Shareholders	Holding (%)
Public	74
Private	14
Government	12

Source: Bloomberg, Blominvest



Source: Annual Report, Blominvest



Source: Annual Report, Blominvest

Key Financials (QAR mn)	FY08	FY07
Net Insurance Premium	867	617
Net Profit	511	473
Total Expenses	28	19
Paid-up Capital	4	4
Investment	169	184
Total Assets	603.92	568.07
Total Liabilities	334.98	236.50
Shareholders' Equity	268.94	349.57

Source: Annual Report, Blominvest

Company Overview

Established in May 1964, Qatar Insurance Company (QATI) is one of the oldest general insurance companies in the GCC region. Along with its subsidiaries, the company is engaged in the business of insurance, reinsurance, real estate and financial advisory services. The Company operates in three main segments, retail, corporate, and energy and marine. In April 2007, the company announced plans to establish a fully owned real estate investment company, with a capital of QAR 2 mn.

Peer Group Analysis (2008)	QATI	QGRI	DIC
Claims Ratio (%)	57.9	70.76	55.28
Expense Ratio (%)	16.84	35.22	52.28
Operating Margin Ratio (%)	61.68	73.85	38.87
Return on Assets (%)	8.46	12.09	7.38
Return on Equity (%)	19.93	19.50	13.00
Dividend Yield (%)	2.47	4.48	8.59
EPS	12.03	11.06	2.62
*Market Cap. (QAR'mn)	5,172.97	1,370.82	523.80

*as of September 30, 2009

Source: Annual Report, Blominvest

Recent Developments

- On February 23, 2009, QATI announced the distribution of 75% bonus shares and declared a dividend of QAR 3 per share.
- With an aim to expand both regionally and internationally, in March 2008, Industrial and Financial Investment Company (IFIC) and QATI entered into a joint partnership to form 'Kuwait Qatar Insurance Company' (KQIC).

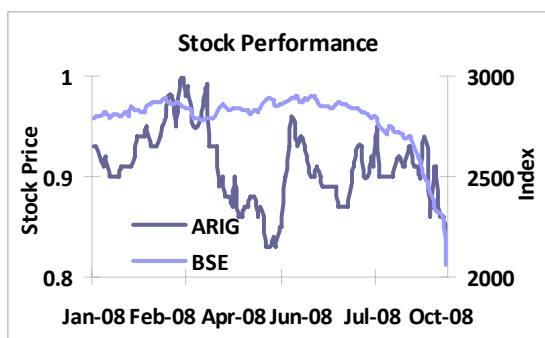
Financial Analysis

In 2008, the company registered net profit growth of 8.0% to QAR 511mn. The company's gross premiums soared 29.9% to QAR 1,972.31 mn, while its premiums ceded to reinsurers' increased 22.5% to QAR 997.83 mn. On the expenses side, the operating expenses rose 30.5% to QAR 170.89 mn on account of a 30.0% rise in general & administrative expenses to QAR 154.35 mn. In terms of the performance ratios, claims ratio improved to 57.9% from 59.6% in 2007, owing to faster growth in net earned premiums. In 2008, due to the liquidity crunch, the shareholders' equity plummeted 24.5% to QAR 256.32 mn. The decline was mainly due to a 60.8% fall in fair value reserves to QAR 612.33 mn from 1,563.99 mn in 2007.

Management Outlook

Looking ahead, the company aims to expand its regional and international business operations by partnering with other leading insurance companies. Analysts expect an annual growth of 15.9 % in the net earned premiums for FY09. The y-o-y growth in net profit is estimated at 2.1 %. On the ratio's front, the expenses ratio could increase to 8.1% anticipating a sharp rise in the commission expenses.

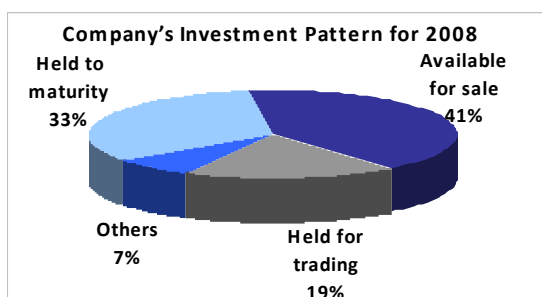
8.1.2 Arab Insurance Group



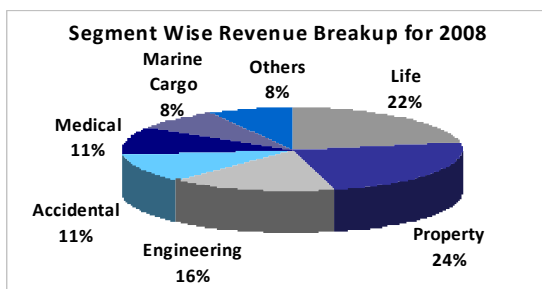
Source: Bloomberg, Blominvest

Major Shareholders	Holding (%)
Public	13
Private	29
Government	58

Source: Bloomberg, Blominvest



Source: Annual Report, Blominvest



Source: Annual Report, Blominvest

Key Financials (BHD'000)	FY08	FY07
Net Insurance Premium	96,151	79,245
Net Profit	(10,770)	8,894
Total Expenses	6,735	6135
Paid-up Capital	82,940	82,720
Investment	102,525	120,401
Total Assets	1,079,761	1,049,808
Total Liabilities	784,227	686,646
Shareholders' Equity	295,534	363,162

Source: Annual Report, Blominvest

Company Overview

A Bahrain-based general insurance company Arab Insurance Group (ARIG) is primarily engaged in the provision of reinsurance and other allied services. The company provides a range of reinsurance solutions to Arab, African and East Asian insurance companies. ARIG writes a broad spectrum of reinsurance products in over 73 markets to form a highly diversified portfolio. It further provides Facultative Reinsurance predominantly in Property, Engineering, Casualty and Marine Cargo sectors. It also offers services such as Specialty Lines, Third Party Administration, Claims and Technical Accounts and Risk Management services. Owned by over 6000 private and institutional investors ARIG is a publically traded company listed on the stock exchanges of Bahrain, Dubai and Kuwait.

Peer Group Analysis (2008)	ARIG	BKIC	Al Ahila
Claims Ratio (%)	76.09	65.69	53.53
Expense Ratio (%)	20.15	32.63	37.35
Operating Margin Ratio (%)	87.36	35.01	38.38
Return on Assets (%)	(2.65)	4.04	1.18
Return on Equity (%)	(11.92)	15.47	3.01
Dividend Yield (%)	-	7.27	10.15
EPS	(0.14)	0.06	0.009
Market Cap. (BHD'mn)	118.80	33.35	17.93

*as of September 30, 2009 Source: Annual Report, Blominvest

Recent Developments

- Among all 581 companies listed in the GCC, ARIG ranked first in the Abu Dhabi's "The National Investor (TNI)", based on its BASIC score methodology, which rates trading behavior, liquidity, transparency, and corporate communications.
- The company is looking forward to expand into Sub-Saharan Africa as the management is of view that these markets are favorable in terms of business environment, infrastructure, and political stability.
- ARIG is interested in medical insurance industry developments in the region as it sponsored the 'Compulsory Medical Insurance Workshop' in October 2008.

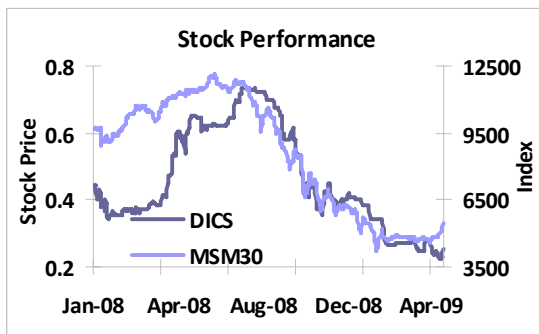
Financial Analysis

For the year ended December 31, 2008 ARIG reinsurance portfolio grew 12% to BHD 96.15 mn from BHD 76.24 mn in previous year. Life business increased at 19% y-o-y to outstrip the Non-life accounts, which grew at 11% over the 2007 levels. Moreover, the company's claim ratio improved to 76.09% in 2008 from 81.6% in 2007. Despite the increase in net insurance premium the group recorded a combined net loss of BHD 10.77 mn in 2008 compared to BHD 8.89 mn profits in 2007, due to write-downs on invested assets as a result of the dramatic decline in the global equity markets.

Management Outlook

The management is of the view that the company has to upgrade its risk management to avoid lop-sided exposures and insufficient capitalization. Moreover, the management retains a positive view on its core business, reinsurance, for the next 2 years as capital-conscious buyers are expected to increase their demand for cover. ARIG has strengthened its competitive position believes that considering the state of the market cycle, it is well-placed to grow its bottom-line.

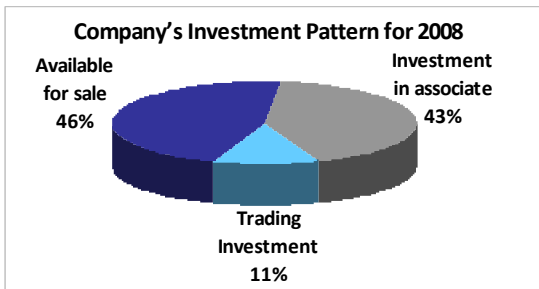
8.1.3 Dhofar Insurance Company



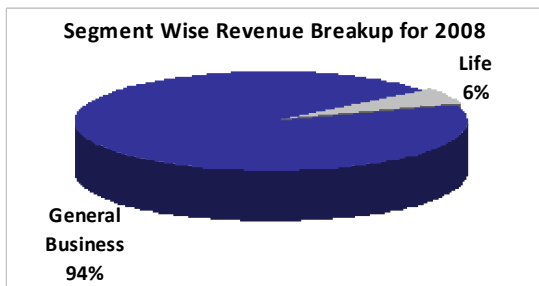
Source: Bloomberg, Blominvest

Major Shareholders	Holding (%)
Public	75
Other	25

Source: Bloomberg, Blominvest



Source: Annual Report, Blominvest



Source: Annual Report, Blominvest

Key Financials (OMR'000)	FY08	FY07
Net Insurance Premium	15,304	11,278
Net Profit	3,348	7,267
Total Expenses	23,138	24,898
Paid-up Capital	20,000	20,000
Investment	16,148	17,652
Total Assets	125,179	179,158
Total Liabilities	97,353	149,319
Shareholders' Equity	27,825	29,839

Source: Annual Report, Blominvest

Company Overview

Dhofar Insurance Company (DICS) is an Oman-based joint stock company engaged in the provision of various types of insurance in both the life and general insurance segments. The company's insurance services cover power generation, energy insurance, property insurance, motor insurance, marine and cargo insurance, fire insurance, life insurance, general accident, personal accident and workers compensation insurance, travel insurance, as well as health insurance. Dhofar Insurance Co. operates through a 29-branch network across the Sultanate of Oman.

Peer Group Analysis (2008)	DICS	MNHI	OUIS
Claims Ratio (%)	119.62	15.33	87.85
Expense Ratio (%)	32.52	29.55	21.82
Operating Margin Ratio (%)	47.62	15.52	56.51
Return on Assets (%)	2.67	(6.64)	(6.49)
Return on Equity (%)	12.03	(24.55)	(27.15)
Dividend Yield (%)	-	-	-
EPS	0.017	(0.49)	(0.04)
Market Cap. (KWD'mn)	65.60	12.00	31.00

*as of September 30, 2009

Source: Annual Report, Blominvest

Recent Developments

- On 30 March, 2009, the company's board recommended the distribution of 10% cash dividends, representing OMR 0.010 per share for the fiscal year ending December 31, 2008.
- The company is expanding its network by establishing 5 more branches in Sultanate of Oman, which will start operating by end of 2009.

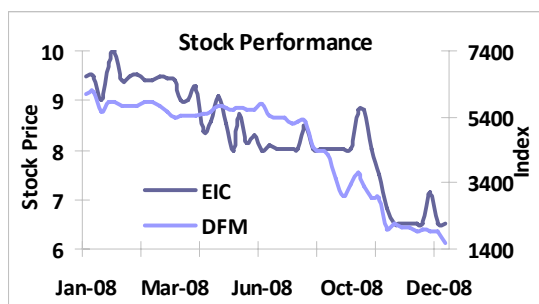
Financial Analysis

For the year ended 31 December, 2008, DICS reported an increase of 36% in net insurance premium. Despite the increase in insurance premium, the net profit declined 54% to OMR 3.35 mn from OMR 7.26 mn in 2007. This reported decline in net profit is due to a decrease in the company's investments income. During the year 2008, net investment income plunged 66% to OMR 3.22 mn from OMR 9.43 mn in the previous year. In October 2008, the management of the company reclassified certain investment securities held as "fair value through profit and loss account" and "held for trading" to available for sale investments. If the management had prepared financial statements on the basis of prior classification and accounting treatment, the reported net profit for the year 2008 would have been OMR 0.99mn.

Management Outlook

During 2008, though the insurance sector has been negatively affected by the global financial crisis, the DICS management held an optimistic view about the company and the market. Looking ahead, the management expects that with their multiple capabilities, technical as well as financial, and their strong worldwide relationships; the company will be a leader in running the projects and will succeed in confronting such crisis. Moreover, to cope with the current market requirements the company has developed the life insurance department and its marketing policy.

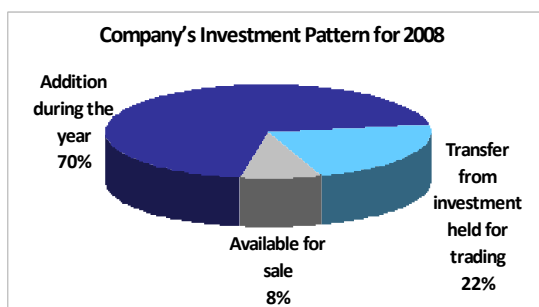
8.1.4 Emirates Insurance Company



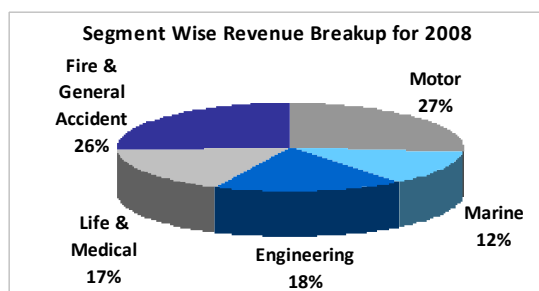
Source: Bloomberg, Blominvest

Major Shareholders	Holding (%)
Public	59
Private	29
Government	12

Source: Bloomberg, Blominvest



Source: Annual Report, Blominvest



Source: Annual Report, Blominvest

Key Financials (AED'000)	FY08	FY07
Net Insurance Premium	190,417	116,347
Net Profit	113,366	135,754
Total Expenses	289,828	241,078
Paid-up Capital	120,000	120,000
Investment	757,457	1,344,848
Total Assets	1,635,576	2,094,889
Total Liabilities	828,157	687,277
Shareholders' Equity	807,418	1,407,612

Source: Annual Report, Blominvest

Company Overview

Emirates Insurance Company (EIC) is a United Arab Emirates-based public shareholding company engaged in general life and non-life insurance and reinsurance activities. The company's products and services include aviation, bankers' blanket bond, cargo, fidelity guarantee, fire, general third party liability, life, marine hull, medical, money, motor, oil and gas and workmen's compensation insurance. The company operates through a network of 8 branches and representative offices domestically. Emirates Insurance Company P.S.C. is headquartered in Abu Dhabi.

Peer Group Analysis (2008)	EIC	UNION	ALAIN
Claims Ratio (%)	63.65	59.67	76.67
Expense Ratio (%)	38.39	25.12	12.21
Operating Margin Ratio (%)	49.86	(116.95)	92.00
Return on Assets (%)	6.93	(7.89)	6.6
Return on Equity (%)	14.04	(9.2)	12.46
Dividend Yield (%)	11.54	-	13.51
EPS	0.94	(0.12)	9.59
Market Cap. (KWD'mn)	758.40	784.07	870.00

*as of September 30, 2009

Source: Annual Report, Blominvest

Recent Developments

- In March, 2009, Standard & Poor's Ratings Services down-graded its outlook on Abu Dhabi-based Emirates Insurance Co. to negative from stable in response to the heavy decline in the company's capital adequacy in 2008, and the heightened volatility in the value of EIC investment portfolio.
- On March 22, 2009, the company's AGM was held and the distribution of a cash dividend of AED 0.75 per share was approved.
- In October 2008, Emirates Insurance Company celebrated its 25 successful years in the Middle East. During the occasion, the management announced that it is going to open 2 new offices in the UAE by the end of 2009.

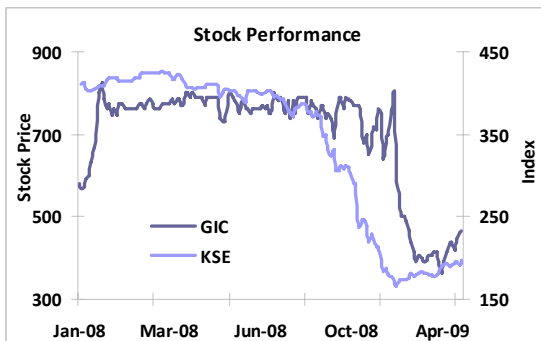
Financial Analysis

The fall in the UAE stock market coupled with the global crisis had an effect on EIC's Business. During 2008, the company's net profit decreased 16.49% to AED 113.36 mn from AED 135.75 mn in 2007. However, the company was able to write down the strong growth of 64% in its net premium compared to 2007 figure. Motor premium income grew 43%, Marine and Aviation increased 49% while life and medical increased 111%. In 2008, the company's net insurance premium stood at AED 190 mn. During the period under review, the investments held for trading were reclassified to be investment available for sale. Meanwhile the company's investment plummeted 43.7% to stand at AED 757 mn in 2008.

Management Outlook

EIC celebrated its silver jubilee in 2008 and the management was upbeat about the company's future plan. It expects that the company will record the gross written premium of AED 700 mn in 2009. Moreover, according to Business Monitor International report, insurance business in the UAE is expected to grow sharply in the next 4 years. Non-life insurance business is projected to grow 20% every year to AED 12.28 bn by 2012, while life business is expected to grow at 16% annually to AED 2.11 bn.

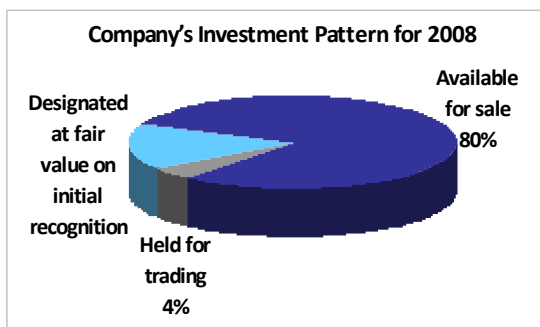
8.1.5 Gulf Insurance Company



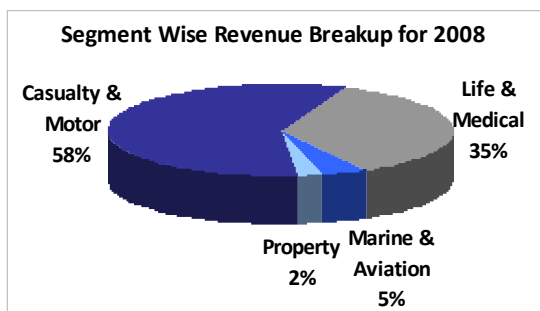
Source: Bloomberg, Blominvest

Major Shareholders	Holding (%)
Public	33
Other	67

Source: Bloomberg, Blominvest



Source: Annual Report, Blominvest



Source: Annual Report, Blominvest

Key Financials (KWD'000)	FY08	FY07
Net Insurance Premium	41,497	37,903
Net Profit	3,607	37,666
Total Expenses	43,684	80,818
Paid-up Capital	16,965	11,310
Investment	96,191	96,826
Total Assets	239,976	223,031
Total Liabilities	150,560	123,376
Shareholders' Equity	89,416	99,655

Source: Annual Report, Blominvest

Company Overview

Gulf Insurance Company (GIC), a subsidiary of Kuwait Projects Company Holding KSC, is a Kuwait-based general insurance company engaged in the provision of all types of insurance, indemnities and compensations through a network of 15 branches and offices across Kuwait. The company also invests its capital and assets in various financial and real estate investments locally and abroad. GIC offers its services through five main segments, including Takaful Insurance, which offers property and casualty, motor, life and medical, and marine and aviation. GIC operates through its subsidiaries in Saudi Arabia, Lebanon, Egypt, Syria and Bahrain.

Peer Group Analysis (2008)	GIC	Warba	KIC
Claims Ratio (%)	65.89	39.67	82.87
Expense Ratio (%)	43.27	47.64	40.25
Operating Margin Ratio (%)	50.97	32.69	69.20
Return on Assets (%)	1.50	2.87	2.35
Return on Equity (%)	4.69	5.90	6.28
Dividend Yield (%)	11.36	1.67	7.69
EPS	0.02	0.02	0.02
Market Cap. (KWD'mn)	74.65	50.93	75.68

*as of September 30, 2009

Source: Annual Report, Blominvest

Recent Developments

- The company's subsidiary Buruj Cooperative Insurance Co. is planning to sell 40% of its shares in an initial public offering. Khaled Al Hassan, chief executive of Gulf Insurance, said that the company not only plans to expand on the regional level but also in Jordan and Algeria in 2009.
- In March 2009, Standard & Poor's Ratings Services revised its rating to stable from positive on Kuwait-based non-life insurer Gulf Insurance Co. At the same time, the 'BBB+' long-term counterparty credit and insurer financial strength ratings were affirmed.
- In April 2008, GIC launched a bouquet of products through its website www.clickgic.com, which facilitates instant access to various documents for its clients, ensuring the privacy and safety of the data.

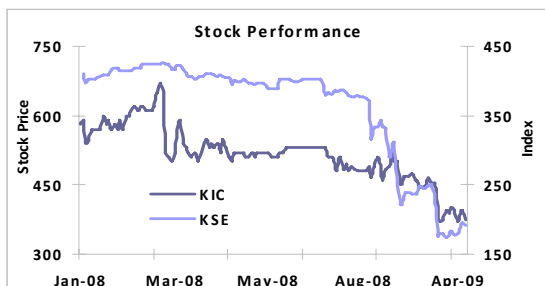
Financial Analysis

For the year ended December 31, 2008, GIC net insurance premium grew 10% to KWD 41.49mn from KWD 37.90 mn in the previous year. The major contribution of 58% in revenue was from the company's casualty and motor insurance segment. Despite the increase in net insurance premium the company's net profit for 2008 plunged 90.42% to KWD 3.60 mn from KWD 37.66 mn in 2007 due to write-downs in invested assets as a result of the dramatic decline in the global equity markets. Moreover, the company has recorded a negative turn in its investment income. For the year ended 2008, the company reported a loss of KWD 1.04 mn in its investment income compared from KWD 39.12mn profit recorded in the previous year.

Management Outlook

GIC's management is optimistic that the insurance industry in the MENA region will boom in the future. Moreover, the management plans to continue the regional expansion strategy towards establishing itself as a major player in the regional insurance market and increasing its business portfolio. The company also plans to expand in Jordan and Algeria in 2009.

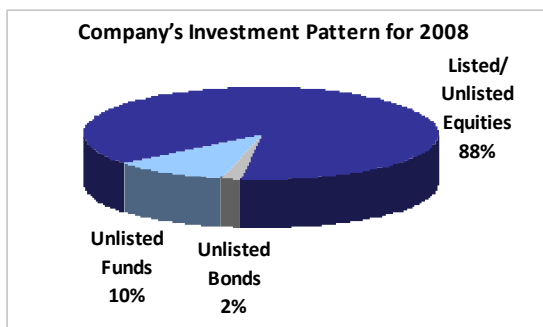
8.1.6 Kuwait Insurance Company



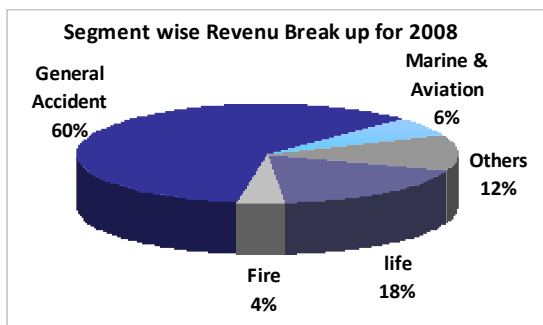
Source: Bloomberg, Blominvest

Major Shareholders	Holding (%)
Public	67
Other	33

Source: Bloomberg, Blominvest



Source: Annual Report, Blominvest



Source: Annual Report, Blominvest

Key Financials (KWD'000)	FY08	FY07
Net Insurance Premium	14,629	14,559
Net Profit	2,946	13,293
Total Expenses	16,739	19,876
Paid-up Capital	19,404	19,404
Investment	61,435	100,771
Total Assets	125,218	168,803
Total Liabilities	78,265	80,886
Shareholders' Equity	46,953	87,917

Source: Annual Report, Blominvest

Company Overview

Kuwait Insurance Company (KIC), the largest and oldest in Kuwait, was established in 1960 as the first National Company and the first general insurance Company in the Gulf states (GCC). It stood as a beacon, guiding and paving the way for the birth, growth and development of the insurance industry in the Gulf. The company is engaged in the underwriting of all classes of life and non-life insurance and operates through a network of 12 branches across Kuwait. It offers its services in five main segments, which includes Motor, Marine, Life, Travel and General insurance. The company is also engaged in the provision of Islamic insurance products.

Peer Group Analysis (2008)	KIC	GIC	Warba
Claims Ratio (%)	82.87	65.89	39.67
Expense Ratio (%)	40.25	43.27	47.64
Operating Margin Ratio (%)	69.20	50.97	32.69
Return on Assets (%)	2.35	1.50	2.87
Return on Equity (%)	6.28	4.69	5.90
Dividend Yield (%)	7.69	11.36	1.67
EPS	0.02	0.02	0.02
Market Cap. (KWD'mn)	75.68	74.65	50.93

*as of September 30, 2009

Source: Annual Report, Blominvest

Recent Developments

- On March 29, 2009, the company's board of directors proposed the distribution of 30% cash dividends for the year ended December 31, 2008, which still awaits the general assembly's approval.
- In November 2008, Kuwait Insurance Company (KIC) sponsored the fifth annual Gulf Cooperation Council (GCC) insurance forum. The forum was based on the theme "GCC Insurance - Reality and Aspiration". Addressing the forum, KIC Director Al-Bahr said the gathering aimed to promote the insurance industry in the Gulf region as it plays a key role in bolstering up the economies of the world and it contributes to the economic development of all nations.
- In 2008, the company obtained permission from the Ministry of Commerce to engage in Islamic insurance business and accordingly it commenced its business in October 2008.

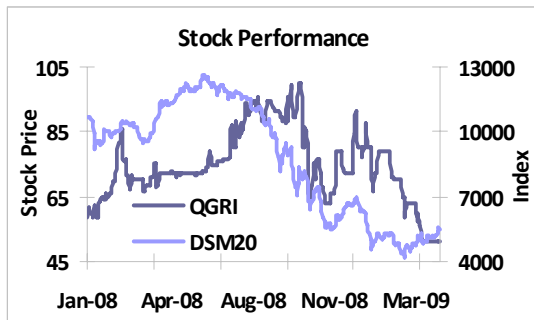
Financial Analysis

For the year ended December 31, 2008, KIC's net profits declined 77.84% to KWD 2.94 mn from KWD 13.29 mn in 2007. Despite the moderate increase of 0.47% in the net premium revenue, company reported a downward trend in its net income. The decline in net profit is due to a 78.47% reduction in the net income from investment. As a result, the company's EPS in 2008 dropped to 15.18 fils, which was 53.32 fils lower than the prior year.

Management Outlook

Total premiums in the GCC grew at a 5-year CAGR of more than 20% till 2008. With change in perceptions, the acceptability of insurance as a social and economic need is growing, and, as a result, the sector is witnessing strong growth, particularly in the Takaful segment. Economists expect underwriting activity across the region to expand at double-digit growth rates until 2012. Furthermore, the insurance industry growth rates in Kuwait are expected to remain high over the short- to medium-term, boosted by factors like increasing awareness and growing population due to the high inflow of expatriates.

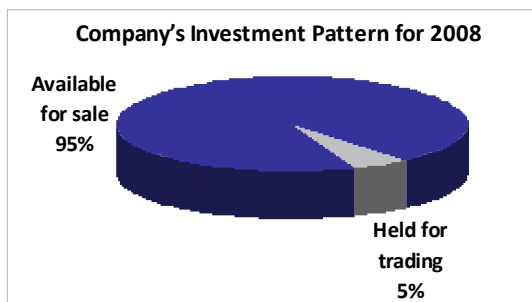
8.1.7 Qatar General Insurance & Reinsurance Company



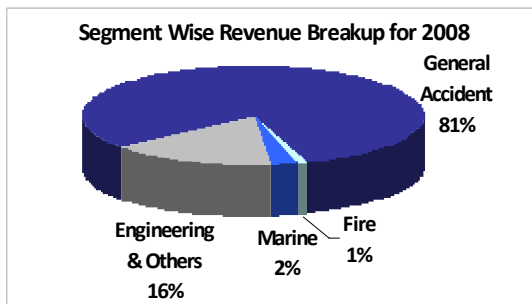
Source: Bloomberg, Blominvest

Major Shareholders	Holding (%)
Public	65
Other	35

Source: Bloomberg, Blominvest



Source: Annual Report, Blominvest



Source: Annual Report, Blominvest

Key Financials (QAR'000)	FY08	FY07
Net Insurance Premium	239,739	211,721
Net Profit	226,267	125,060
Total Expenses	529,594	358,314
Paid-up Capital	204,600	136,400
Investment	970,678	1,147,042
Total Assets	1,871,555	1,732,275
Total Liabilities	711,462	569,917
Shareholders' Equity	1,160,093	1,162,358

Source: Annual Report, Blominvest

Company Overview

Qatar General Insurance & Reinsurance Co. (QGRI) is a Qatar-based joint stock company that offers a range of general insurance, reinsurance, real estate and investment management products and services. The company offers its services through two main segments: Personal Lines Insurance and Corporate Insurance. Its Personal Lines Insurance segment includes home protection, personal protection and motor insurance products. Its Corporate Insurance segment covers engineering, financial risks, marine and aviation, property, liability and energy insurance. QGRI operates through a network of five branches in Qatar, and a branch in Dubai, United Arab Emirates.

Peer Group Analysis (2008)	QGRI	QATI	DOHI
Claims Ratio (%)	70.76	57.9	55.28
Expense Ratio (%)	35.22	16.84	52.28
Operating Margin Ratio (%)	73.85	61.68	38.87
Return on Assets (%)	12.09	8.46	7.38
Return on Equity (%)	19.50	19.93	13.00
Dividend Yield (%)	4.48	2.47	10.99
EPS	11.06	12.03	2.82
Market Cap. (KWD'mn)	1,370.82	5,172.97	523.80

*as of September 30, 2009

Source: Annual Report, Blominvest

Recent Developments

- In February 2009, the company planned to distribute 30% cash and 25% stock dividends to the shareholders after posting record profits in 2008.
- On 12 February, 2009 the company announced that it will enter a joint venture with National Insurance Companies and other entities to establish Al Jisr Takaful Company, in which it will hold a 2% stake. The new venture will offer 60% of its capital to the public.
- In February 2008, the company elected a new Board of Directors.

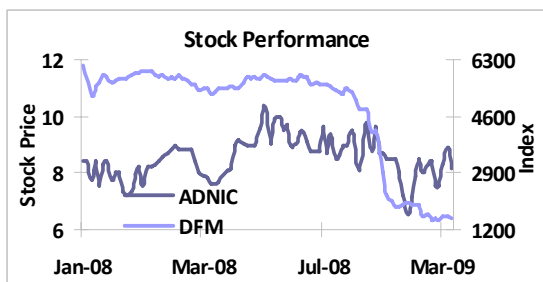
Financial Analysis

Despite the volatility in the Arab financial market QGRI is able to achieve the outstanding results in both of its insurance and investment operations. For the year ended 31 December, 2008, the company registered a huge growth of 80% in its net profit. The increase was mainly attributable to a 116% rise in investment income to QAR 250 mn. Moreover, total insurance premiums in 2008 have increased 13% to QAR 239.73 mn from QAR 211.72 mn in 2007. The major contribution in revenue is about 81% from general accidental segment, whereas engineering segment stood at second place with 16% in total revenue contribution. Meanwhile, for the period under review the company's paid up capital has also increased 50% to QAR 204 mn.

Management Outlook

The management continues to focus on insurance operations as well as its strategic investments in Qatar for supporting the national economy. Moreover, QGRI is looking for an investment opportunity in the Arab region to strengthen its balanced position in the local and regional market. In addition to its existence in the United Arab Emirates market, the company is working toward participating in significant and strategic investments in Libya, Syria, Algeria, Oman and the Kingdom of Saudi Arabia. Looking ahead, the company aims to expand its regional and international business operations by partnering with other leading insurance companies.

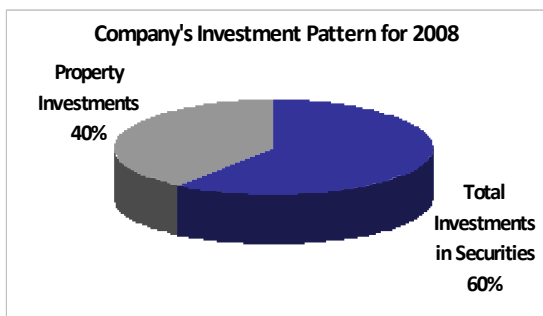
8.1.8 Abu Dhabi National Insurance Company



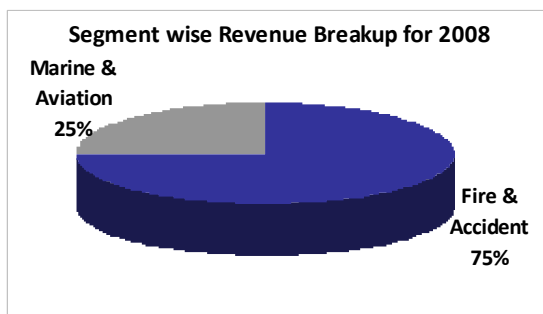
Source: Bloomberg, Blominvest

Major Shareholders	Holding (%)
Public	56
Government	24
Others	20

Source: Bloomberg, Blominvest



Source: Annual Report, Blominvest



Source: Annual Report, Blominvest

Key Financials (AED'000)	FY08	FY07
Net Insurance Premium	422,456	330,448
Net Profit	210,268	330,237
Total Expenses	124,966	85,986
Paid-up Capital	375,000	300,000
Investment	528,267	1,167,173
Total Assets	3,191,016	3,480,500
Total Liabilities	1,390,978	1,258,233
Shareholders' Equity	1,800,038	2,222,267

Source: Annual Report, Blominvest

Company Overview

A general insurance company, Abu Dhabi National Insurance Company (ADNIC) established in 1972, provides various classes of insurance and reinsurance products and services including personal, business, and overseas insurance and reinsurance. ADNIC's portfolio includes international clients through its office in the United Kingdom, and its reinsurance covers various classes including aviation, energy, cargo, marine, fire, and engineering.

Peer Group Analysis (2008)	ADNIC	AWNIC	UIC
Claims Ratio (%)	75.52	70.16	44.22
Expense Ratio (%)	11.89	12.20	9.74
Operating Margin Ratio (%)	47.47	102.72	69.05
Return on Assets (%)	6.59	3.63	4.07
Return on Equity (%)	11.68	8.15	8.74
Dividend Yield (%)	8.05	1.30	6.67
EPS	0.56	0.26	0.26
Market Cap. (KWD'mn)	2,328.75	840.00	50.00

*as of September 30, 2009

Source: Annual Report, Blominvest

Recent Developments

- On March 25, 2009 the company announced the distribution of AED 0.50 per share as cash dividend to its shareholders.
- Standard & Poor's Ratings Services has assigned rating of 'A-' to the company with a stable outlook. The rating reflects strong capitalization, earnings and liquidity position of the company.
- The company has entered into a partnership with Vanbreda International to launch "SHIFA," a new medical insurance product that provides high quality health services and considerably expanded coverage overseas. The new plan provides customers with access to an extensive network of more than 10,000 medical service providers in the UAE, and Worldwide including USA and Canada.

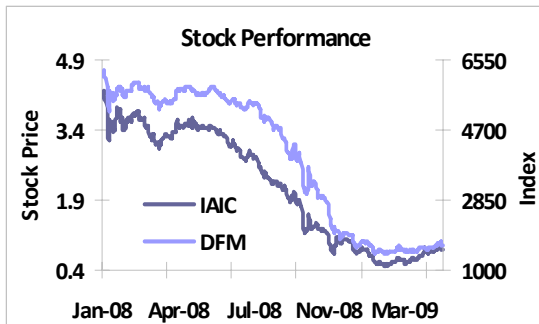
Financial Analysis

The company's net insurance premium increased to AED 422.45 mn as the gross written premium rose 14.67% to AED 1356.89 mn during 2008. However, the net profit declined 36.33% to AED 210.27 mn as the operating expenses increased and the net investment and other income decreased. The earnings per share (EPS) fell to AED 0.56 from AED 0.88 in the previous year showing a decline of 36%. During the current year, the company increased its share capital to AED 375 mn by issuing one bonus share for every four shares held. In terms of performance ratios, the claims ratio grew to 75.52% over the previous year as the net claims incurred rose to AED 319.05 mn from AED 226.82 mn. On the other hand, the expense ratio grew to 11.89% as the commission expenses rose up to AED 50.21 mn from AED 31.55 mn.

Management Outlook

Looking ahead, the management anticipates that the recent rebranding of the company will help differentiate it from other insurance providers by clearly outlining its competitive advantages. The decision to modernize ADNIC's image came in response to an increasingly competitive marketplace and as part of the company's overall strategy to maintain its leadership position. The management is optimistic about its expansion in the overseas market by collaborating with leading insurance providers.

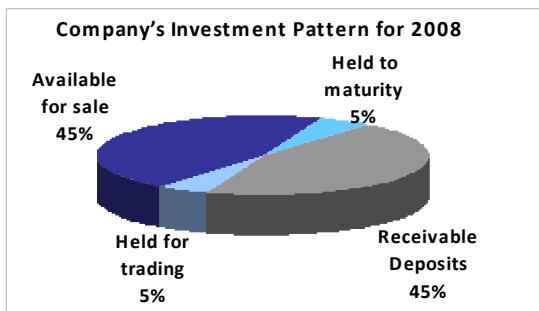
8.1.9 Islamic Arab Insurance Company



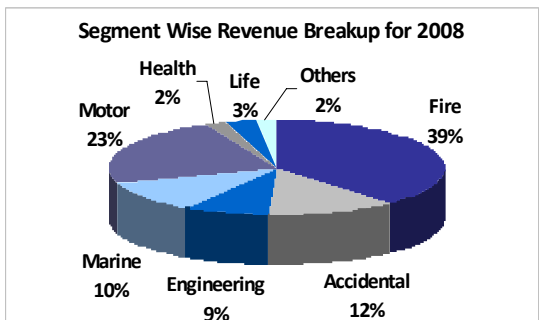
Source: Bloomberg, Blominvest

Major Shareholders	Holding (%)
Public	27
Government	73

Source: Bloomberg, Blominvest



Source: Annual Report, Blominvest



Source: Annual Report, Blominvest

Key Financials (AED'000)	FY08	FY07
Net Insurance Premium	1,091,981	763,961
Net Profit	(10,400)	153,029
Total Expenses	153,934	124,548
Paid-up Capital	1,100,000	1,100,100
Investment	785,601	914,775
Total Assets	2,918,478	2,511,165
Total Liabilities	1,539,973	1,074,314
Shareholders' Equity	1,378,505	1,436,851

Source: Annual Report, Blominvest

Company Overview

A Takaful insurance company, Islamic Arab Insurance Company (IAIC), also known as Salama, is a United Arab Emirates-based public shareholding company that, along with its subsidiaries, provides all classes of general life and non-life insurance products and services in accordance to the Islamic Shariah principles. Its products and services include Motor Comprehensive, Fire and Allied Perils, Iqra Child's Future, Maash Retirement, Thuraya Care, Family Takaful, Health Takaful and General Takaful. The company operates internationally through its subsidiaries, Best Re, Tunisia; Salama Senegal Sosar, Senegal; Salama Assurance Algerie, Algeria; and Egypt Saudi Insurance Home, Egypt. Salama operates domestically through a network of six branches in Dubai, Abu Dhabi, Sharjah, and Al Ain

Peer Group Analysis (2008)	IAIC	METHAQ	TKFL
Claims Ratio (%)	59.00	57.74	63.03
Expense Ratio (%)	39.00	47.24	108.10
Operating Margin Ratio (%)	12.45	-	(5.01)
Return on Assets (%)	(0.36)	8.25	3.65
Return on Equity (%)	(0.77)	8.26	15.73
Dividend Yield (%)	-	(23.34)	-
EPS	(0.01)	0.09	0.19
Market Cap. (KWD'mn)	1,551.00	762.00	384.78

*as of September 30, 2009

Source: Annual Report, Blominvest

Recent Developments

- In April 2009, IAIC has launched Business Protector, a comprehensive Islamic insurance or Takaful solution, a joint initiative with Nexus Insurance Brokers LLC.
- In November 2008, IAIC announced its strategic alliance with NCB Capital, in a bid to further promote the spread of Shariah-compliant insurance solutions.
- In October 2008, the company announced its partnership with DWS Investments, the global mutual fund arm of Deutsche Bank Group. With this, IAIC will offer its customers a host of DWS Noor Islamic Funds.
- Aiming to spread Shariah-compliant insurance, IAIC joined hands with Oasis Crescent and First Gulf Bank in mid 2008.

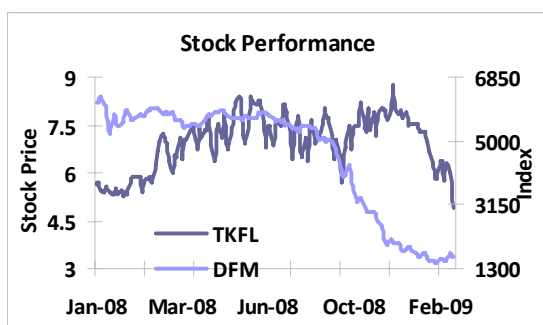
Financial Analysis

For the year ended December 31, 2008, IAIC total takaful income surged 43% to AED 1.09 bn from AED 0.76 bn in 2007. Also, the company focused more on operational performance which resulted in an increase in underwriting income by 39% to AED 164 mn from AED 118 mn in 2007. Despite the increase in contribution income, the company reported a net loss of AED 10.4 mn in 2008. For the period under review, gross claim paid increased 44% to AED 511 mn from AED 355 mn in the previous year.

Management Outlook

In its expansion strategies, the company's management is planning to buy distressed firms at bargain prices. Moreover, the management is of the view that the company is well-capitalized for acquisitions and it will maintain its growth pace (42% in 2008) in the coming year. Despite the crisis affecting the takaful industry, the management maintains a positive outlook. According to an Ernst & Young report, the global takaful contribution is expected to touch USD 7.7 bn in 2012 after recording USD 3.4 bn in 2007.

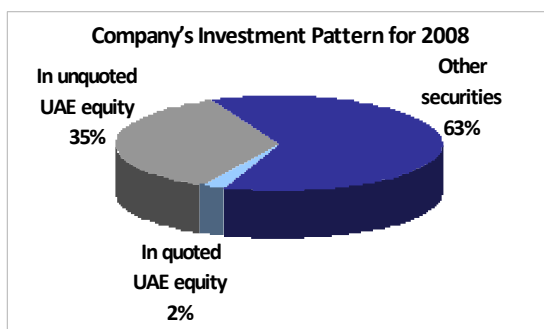
8.1.10 Abu Dhabi National Takaful Company



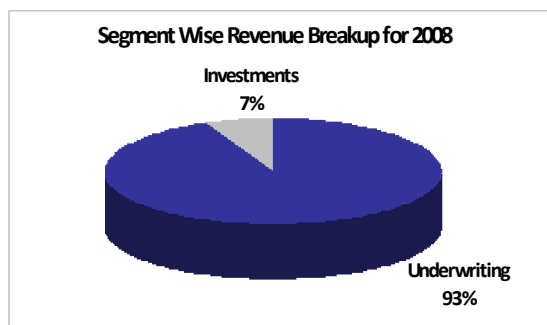
Source: Bloomberg, Blominvest

Major Shareholders	Holding (%)
Public	73
Corporate	23

Source: Bloomberg, Blominvest



Source: Annual Report, Blominvest



Source: Annual Report, Blominvest

Key Financials (AED'000)	FY08	FY07
Total Takaful Income	102,686	73,509
Total Takaful Expenses	79,119	57,994
Net Profit	11,587	10,572
Paid-up Capital	60,000	60,000
Investment	50,788	47,160
Total Assets	317,419	250,132
Total Liabilities	243,769	146,195
Shareholders' Equity	73,650	103,937

Source: Annual Report, Blominvest

Company Overview

Abu Dhabi National Takaful Company (TKFL), a United Arab Emirates-based public shareholding company engaged in takaful insurance and reinsurance activities in accordance to Islamic Shariah principals. The company's insurance products and services include motor, engineering, marine, liability, general accidents, property, Hajj and Umrah, medical, and family insurance. It also offers a range of Shariah-compliant investment services. Abu Dhabi National Takaful Company PSC operates through a network of seven branches including its headquarters in Abu Dhabi.

Peer Group Analysis (2008)	TKFL	IAIC	METHAQ
Claims Ratio (%)	63.03	59.00	57.74
Expense Ratio (%)	108.10	39.00	47.24
Operating Margin Ratio (%)	(5.01)	12.45	-
Return on Assets (%)	3.65	(0.36)	8.25
Return on Equity (%)	15.73	(0.77)	8.26
Dividend Yield (%)	-	-	(23.34)
EPS	0.19	(0.01)	0.09
Market Cap. (KWD'mn)	384.78	1,551.00	762.00

*as of September 30, 2009

Source: Annual Report, Blominvest

Recent Developments

- In March 2008, First Gulf Bank and TKFL have recently signed a strategic alliance agreement to provide Takaful cover to home finance customers of FGB. Under the scope of the agreement, FGB customers will be able to avail Shariah-compliant life insurance while financing their home purchase through the bank.
- Zurich Financial Services Group and Abu Dhabi National Takaful Company have signed an agreement to establish an Islamic insurance company in Dubai. Zurich will control 51% in the new joint venture company, while the remaining 49% stake will be owned by the Abu Dhabi Company.

Financial Analysis

For the year ended December 31, 2008, total takaful income increased 40% to AED 102.68 mn from AED 73.50 mn in 2007. The company's operating profit increased 52% to AED 23.6 mn from AED 15.5mn in 2007. Moreover, net profit for the year reached AED 11.58 mn from AED 10.57 mn during 2007, an increase of 10%. Meanwhile, the shareholders' equity amounted to AED 73.6 mn by the end of 2008 as against AED 103.9 mn by the end of 2007 due to a decrease in investment revaluation reserve as a result of the global financial crisis and its impact on the local market.

Management Outlook

The management believes that the investment in the insurance sector grew steadily at a regional level and proved to be secure from the turmoil of the global insurance market hit by the recent financial crisis. The management remains optimistic despite the crisis. According to Business Monitor International report, Insurance business in the UAE is expected to grow sharply over the next four years. Worth noting that, the global takaful contributions will likely reach USD 7.7bn in 2012 after recording USD 3.4bn in 2007, according to the latest Ernst & Young report.

8.2 Listed Insurance Players – Multiples Comparison

In this section, we profile the largest (based on market capitalization) conventional and Takaful companies in the MENA region. It is important to note that we have only profiled the listed companies in the region to compare the financial performance and metrics of various players.

Conventional Company	Market Cap.(mn)	Net Premium (mn)	Expense Ratio(%)	Claim Ratio (%)	P/E	P/CF	ROA (%)	ROE (%)	OM (%)
Bahrain									
Bahrain Kuwait Insurance Company	33.35	8.73	32.63	65.69	8.88	6.85	4.04	15.47	35.01
Arab Insurance Group	118.80	255.04	20.15	76.09	N/A	2.50	-2.65	-11.92	87.36
Bahrain National Holding Company	54.25	12.90	N/A	N/A	29.11	9.81	2.83	5.56	53.32
Al Ahlia Insurance	17.93	4.99	37.35	53.53	52.53	25.65	1.18	3.01	38.38
Jordan									
Jordan Insurance Company	84.60	20.06	27.28	63.05	N/A	6.85	13.13	20.82	73.86
Kuwait									
Kuwait Insurance Company	75.68	14.71	40.25	82.87	24.7	55.33	2.35	6.28	69.2
Gulf Insurance Company	74.65	41.50	43.27	65.89	22.1	12.33	1.5	4.69	50.97
Warba Insurance Company	50.93	6.37	47.64	39.67	19.4	18.48	2.87	5.9	32.69
Al Ahleia Insurance Company	74.24	10.92	37.35	53.53	N/A	N/A	-2.77	-6.42	22.4
Kuwait Reinsurance Company	25.09	15.20	7.89	64.05	23.04	12.77	-1.69	-3.06	89.71
Oman									
Dhofar Insurance Company	65.60	15.30	32.52	119.62	19.59	4.47	2.67	12.03	47.62
Oman United Insurance Company	31.00	18.80	21.28	87.75	N/A	7.62	-6.49	-27.15	56.51
Muscat National Holding Company	12.00	4.30	29.55	15.33	N/A	3.94	-6.64	-24.55	15.52
Qatar									
Qatar Insurance Company	5,172.97	867.44	16.84	57.9	10.13	10.98	8.46	19.93	61.68
Qatar General Insurance and Reinsurance Co.	1,370.82	239.74	35.22	70.76	6.06	6.37	12.09	19.5	73.85
Al Khaleej Insurance and Reinsurance Co.	526.50	112.26	27.37	62.32	4.09	37.96	11.68	18.32	97.79
Doha Insurance Company	523.80	76.57	52.28	55.28	11.11	10.42	7.38	13.00	38.87
United Arab Emirates									
Oman Insurance Company	4,198.84	959.60	31.42	52.48	16.02	16.01	5.05	15.08	53.37
Abu Dhabi National Insurance Company	2,328.75	422.46	11.89	75.52	11.08	55.55	6.59	11.68	47.47
Al Buhaira National Insurance Company	2,575.00	241.61	22.14	93.93	51.28	50.07	2.43	7.86	48.16
National General Insurance	1,226.41	220.23	N/A	58.35	63.83	7.51	2.98	7.41	52.91
Al Ain Ahlia Insurance Company	870.00	272.57	12.21	76.67	7.72	N/A	6.6	12.46	92
Al Sagr National Insurance Company	1,046.50	212.14	23.73	84.08	15.62	14.82	5.73	11.82	64.48
Union Insurance Company	784.07	42.02	25.12	59.67	N/A	N/A	-7.89	-9.2	-116.95
Al Wathba National Insurance Company	840.00	128.32	12.2	70.16	29.03	15.3	3.63	8.15	102.72
Sharjah Insurance Company	804.38	65.39	26.29	80.37	N/A	42.44	-5.89	-9.8	25.08
Emirates Insurance Company	758.40	190.42	38.39	63.65	6.88	10.59	6.93	14.04	49.86
Ras Al Khaimah National Insurance Company	448.00	83.00	20.83	50.82	32.37	9.92	3.86	10.05	35.78
Al Dhafra Insurance Company	378.75	96.59	29	64.12	11.04	6.57	7.34	22.99	59.05
Arabian Scandinavian Insurance Company	418.60	47.60	33.96	41.02	N/A	15.87	-19.82	-27.36	-45.05

Note- All data based on 2008 figures in local currencies. Market Cap. as on September 30, 2009

Source: Bloomberg, Blominvest

Takaful Company	Market Cap.(mn)	Retained Contri. ('000)	Expense Ratio (%)	Claim Ratio (%)	P/E	P/CF	ROA (%)	ROE (%)	OM (%)
Bahrain									
Takaful International Company	16.28	6.01	47.73	62.67	156.4	9.11	0.4	1.82	2.50
Jordan									
The Islamic Insurance Company	23.88	8.44	N/A	N/A	N/A	9.8	28.93	43.68	2.82
Kuwait									
First Takaful Insurance Company	45.00	4.31	N/A	N/A	150.39	N/A	2.27	2.29	-9.47%
Wethaq Takaful Insurance Company	9.15	2.44	N/A	N/A	N/A	N/A	-14.22	-15.17	-13.40
Qatar									
Qatar Islamic Insurance Company	504.00	95.24	33.63	85.93	5.67	4.41	11.72	24.18	9.56
Saudi Arabia									
Company for Cooperative Insurance	2,250.00	1,219.09	35.71	66.31	27.37	9.35	1.32	6.26	0.93
Saudi Reinsurance Company	1,170.00	0.07	N/A	N/A	27.46	N/A	3.74	3.78	NA
Malath Cooperative Insurance & Reinsurance	909.00	28.89	N/A	N/A	N/A	N/A	-7.44	-14.29	-40.21
United Arab Emirates									
Islamic Arab Insurance Company (Salama)	1,551.00	1,104.06	39.00	59.00	N/A	N/A	-0.36	-0.77	12.45
Methaq Takaful Insurance Company	762.00	0.04	47.24	57.74	38.43	17.64	8.25	8.26	NA
Dubai Islamic Insurance and Reinsurance Co.	284.00	166.14	47.24	57.74	27.23	2.47	-6.58	-23.34	-6.17
Takaful Al Emarat - Insurance	295.00		N/A	N/A	64.15		2.06	2.08	NA
Dar Al Takaful	270.00	0.61	N/A	N/A	N/A	N/A	-3.32	-3.51	-180.41

Note- All data based on 2008 figures in local currencies. Market Cap as on September 30, 2009

Source: Bloomberg, Blominvest

8.3 Legal and Regulatory Framework: A Snapshot of the MENA Region

Bahrain

Legal Framework

- Bahrain issued the Insurance Rulebook in April 2005 in an effort to establish itself as a center for Islamic finance (including takaful and re-takaful). The rulebook lays down elaborate licensing and operating regulations for both conventional and takaful insurance companies.
- Overall, Bahrain's legal framework for regulations related to insurance is one of the most-established in the region.
- The Central Bank of Bahrain (CBB) is the integrated regulator of financial services, including insurance. The detailed insurance licensing regime in Volume 3 of the CBB's rulebook covers insurers, intermediaries, captives, takaful and re-takaful companies.

Regulatory Bodies

- The regulations allow foreign insurers to enter the local market either as a branch or as a new start-up, independent of local partnerships. CBB maintains minimum solvency requirements, with further requirements based on premium income levels. Subject to meeting CBB's requirements, a registered insurer is allowed to write not only direct businesses in Bahrain, but also reinsure Bahraini and other foreign businesses.

Source: Various news agencies, Booz Allen Hamilton, Blominvest

Egypt

Legal Framework

- The insurance sector is regulated by the Insurance Supervisory and Control Act 10 issued in 1981, Act 91 of 1995 and Act 156 of 1998.
- The Supreme Council of Insurance was launched in 1981 with the aim of discussing and approving policies related to the sector. The council is chaired by the regulator and includes representatives from the public sector, private sector, and academic institutions.
- Largely, the legal framework for insurance in Egypt still has certain limitations, with insufficient visibility as to future plans to tighten and develop it further.

Regulatory Bodies

- The Egyptian Insurance Supervisory Authority (EISA) was set up in 1981 as an independent entity reporting to the Ministry of Investment. EISA is entrusted with regulating the insurance sector in addition to government insurance funds, cooperative societies, and private insurance funds.
- EISA launched the Dispute Settlement Committee to expedite the resolution of disputes outside of the court system.
- Starting with a focus on ensuring compliance by insurers, EISA has also undertaken initiatives to strengthen its risk-supervision capabilities in line with international practices.

Source: Various news agencies, Booz Allen Hamilton, Blominvest

Jordan

Legal Framework

- The insurance sector is governed by the Insurance Regulatory Act of 1999.
- In 2004, the insurance regulator announced drafting a new and more comprehensive legislation that improves the consistency of judicial interpretation of insurance contracts and better reflects existing market practices.
- The law is complemented by a set of regulations and instruction papers, issued by the regulator. These cover a wide range of issues including financial and technical matters, corporate governance and market conduct, in line with the core principles of the IAIS.
- Generally, the legal framework is mature as per the international standards. There is a constant effort to further support the legal framework and address existing regulatory shortcomings.

Regulatory Bodies

- The Insurance Commission (IC) was established in 1999 as a sovereign body to regulate and supervise the insurance sector. Since establishment, the commission has played a leading role in driving and reshaping the sector. The IC set up an internal Settlement and Inquiries department to handle inquiries and act as the first line in handling disputes through mediation.
- Insurance disputes are handled by the Committee for Resolving Insurance Disputes.
- Despite being a relatively young regulator, the IC has made commendable advances in developing its capabilities in line with the core principles of the IAIS.

Source: Various news agencies, Booz Allen Hamilton, Blominvest

Kuwait**Legal Framework**

- The insurance law in Kuwait was enacted in 1961. In 2004, the financial sector assessment program (FSAP) outlined the weaknesses of the existing law and recommended, as a priority, the need to enact a new law.
- On the whole, the legal framework in Kuwait has certain limitations and, consequently, calls for significant changes and upgrade.

Regulatory Bodies

- The sector is regulated by the Insurance Department within the Ministry of Commerce and Industry.
- An informal review conducted in 2004 to assess compliance with IAIS' core principles indicated that the existing regulations and supervision lacked many critical elements of a modern supervisory regime. The existing supervisory processes are mostly focused on administrative work (such as licensing) and ensuring the insurers' compliance with the regulations.

Source: Various news agencies, Booz Allen Hamilton, Blominvest

Lebanon**Legal Framework**

- The insurance sector is governed by the Insurance Law issued in 1968. The sector was mostly unregulated until the issuance of an amendment law in 1999 following the bankruptcy of three companies. However, the law remains rather basic, particularly in the area of solvency requirements that are fixed at 10% of gross premiums.
- The National Council of Insurance Companies (NCIC) is the advisory body entrusted with proposing sector regulations and reviewing license applications. The NCIC is chaired by the Minister of Economy and Trade and consists of 11 other members from the public and private sectors.
- The existing legal framework in Lebanon is in its developing stages. However, a new draft law and regulations have been prepared, taking international best practices into consideration.

Regulatory Bodies

- The insurance sector is regulated by the Insurance Control Commission (ICC), which was created in 1999 as an independent entity reporting directly to the Minister of Economy and Trade.
- There is an overlap and duplication of regulatory activities between the ICC and the Directorate of Insurance Affairs, a department within the Ministry of Economy and Trade.
- The regulator has basic supervisory capabilities that are mainly focused on ensuring compliance with applicable regulations and monitoring distressed companies closely.

Source: Various news agencies, Booz Allen Hamilton, Blominvest

Qatar**Legal Framework**

- Qatar enacted an insurance law in 1966 that has not been amended since. The existing law lacks adequate legislation related to the rights and obligations of parties entering into insurance contracts. Efforts are underway to issue a new insurance law in the near future.
- Overall, the insurance legal framework in Qatar has multiple limitations that are expected to be addressed by the new insurance law.

Regulatory Bodies

- The market is regulated by the Ministry of Economy.
- The Qatar Financial Centre (QFC) was established in 2005 as a financial and business center along the lines of the DIFC. The regulatory structure is similar to that of DIFC as both are based on the model of the UK's Financial Services Authority. However, an attraction for insurers to set up in the QFC is the ability (unlike DIFC) to write direct, retail insurance business in Qatar supported by the QFCRA's (QFC Regulatory Authority) detailed rulebooks in this regard. The QFC also allows 100% foreign ownership.
- The QFC is still in its developing stage, but has managed to attract the likes of AXA, Zurich, RSA and AIG to register. The Qatar Insurance Company is also relocating its international operations to the QFC. On the intermediaries' front, brokers such as Nasco, Marsh, HSBC and AON are either already authorized or in the process of becoming authorized in Qatar.
- The QFCRA has plans to take on the role of being the unified regulator across all financial services in Qatar.

Source: Various news agencies, Booz Allen Hamilton, Blominvest

Saudi Arabia

- | | |
|--------------------------|--|
| Legal Framework | <ul style="list-style-type: none"> • Insurance in general was an unregulated sector in Saudi Arabia till recently. The cooperative health insurance law was enacted in 2002, which established compulsory health insurance requirements for expatriates. • The insurance sector in Saudi Arabia is now governed by the law on supervision of cooperative insurance companies and the regulation passed pursuant to the laws, which are enforced by SAMA. • Insurers are required to incorporate as public joint stock companies with minimum capital requirements of USD 26.7mn in the case of insurers and USD 53.3mn for reinsurers. • The legal framework for insurance in Saudi Arabia is in its nascent stages and needs to be fully implemented and tested. |
| Regulatory Bodies | <ul style="list-style-type: none"> • Promulgated in 2004, insurance regulations have been in a gradual process of implementation in Saudi Arabia during the moratorium that ended on April 9, 2008. SAMA's focus during the period was to ensure that local Saudi insurers were registered correctly - a process that is now complete. • There is no restriction on foreign participation, but transfer of shares is restricted by current rules which permit only Saudi nationals to hold such shares. Around thirty licenses are in the process of being granted in the market to companies including foreign insurers. Insurance intermediaries are also now being licensed. Branches of foreign parents may be permitted, provided certain requirements are fulfilled, but as yet it does not appear that any branches have been registered in Saudi Arabia. • SAMA published a draft Market Code of Conduct for insurance companies and insurance service providers, which was issued for comment in February 2008, and came into force on 17 September 2008. SAMA is currently busy overhauling the regulation of insurance companies in the Kingdom. In November 2008, it released drafts of an Anti-Fraud Regulation and a Risk Management Regulation for public consultation, while draft regulations on Anti-Money Laundering and Combating Terrorism Financing are expected in the near future. • A special court called the Committee for resolution of Insurance Disputes & Violations has been established to settle insurance disputes. |

Source: Various news agencies, Booz Allen Hamilton, Blominvest

United Arab Emirates

- | | |
|--------------------------|---|
| Legal Framework | <ul style="list-style-type: none"> • The UAE insurance market is regulated by the 1984 federal law on Insurance Companies and Agents and Executive Regulation, issued by the Ministry of Commerce. • There has been little regulatory development during the last 2 years, despite expectations that changes would be forthcoming following the passing of Federal Law No. 6 of 2007 (the Insurance Law) which came into force in August 2007 and repealed the previous insurance legislation Federal Law 9 of 1984 (Law 9/84). One of the primary functions of the Insurance Law was to establish a new Insurance Authority responsible for the regulation of the insurance industry in the UAE. • The Insurance Law imposes a prohibition on composite insurers operating in the UAE, implying that insurers undertaking life insurance cannot also undertake property and liability insurance and vice versa. Companies that currently operate composite arrangements have a 5-year grace period (i.e. until 2012) in which to regularize their operations. • Though the Insurance Law came into effect during August 2007, the Insurance Authority has only recently been formally constituted and made operational, with a new Director General in June 2008. New developments are expected during the coming months, including the promulgation of (draft) regulations under the Insurance Law as the Insurance Authority, which is semi-autonomous from the government, commences work and applies a more active and informed approach to regulation. One important issue to be resolved is the current restriction that requires (non-branch) insurance companies established in the UAE to be publicly listed and have at least 75% UAE national ownership. • The sector is regulated by the Insurance Companies Division of the Ministry of Economy. • The Dubai Health Authority's forthcoming regulations will likely overhaul the healthcare funding system in Dubai as part of which health insurers are likely to play a major role in delivering both (compulsory) basic and advanced healthcare for all Dubai residents starting early 2010. This follows the compulsory healthcare implemented during 2006 in Abu Dhabi and may lead to federal legislation in due course as the UAE looks to harmonize healthcare provision across the federation. |
| Regulatory Bodies | <ul style="list-style-type: none"> • In the UAE, a long-standing moratorium on the licensing of foreign insurance companies onshore was lifted, subject to certain restrictions, in 2004. Since then, it has been possible for a foreign insurance company to establish a branch operation in the UAE within the framework of the legislation. The recent entrants include Friends Provident and American Home. Several other large insurers are expected to be announced very soon. |

Source: Various news agencies, Booz Allen Hamilton, Blominvest

Saudi Arabia

Legal Framework

- Insurance in general was an unregulated sector in Saudi Arabia till recently. The cooperative health insurance law was enacted in 2002, which established compulsory health insurance requirements for expatriates.
- The insurance sector in Saudi Arabia is now governed by the law on supervision of cooperative insurance companies and the regulation passed pursuant to the laws, which are enforced by SAMA.
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Regulatory Bodies

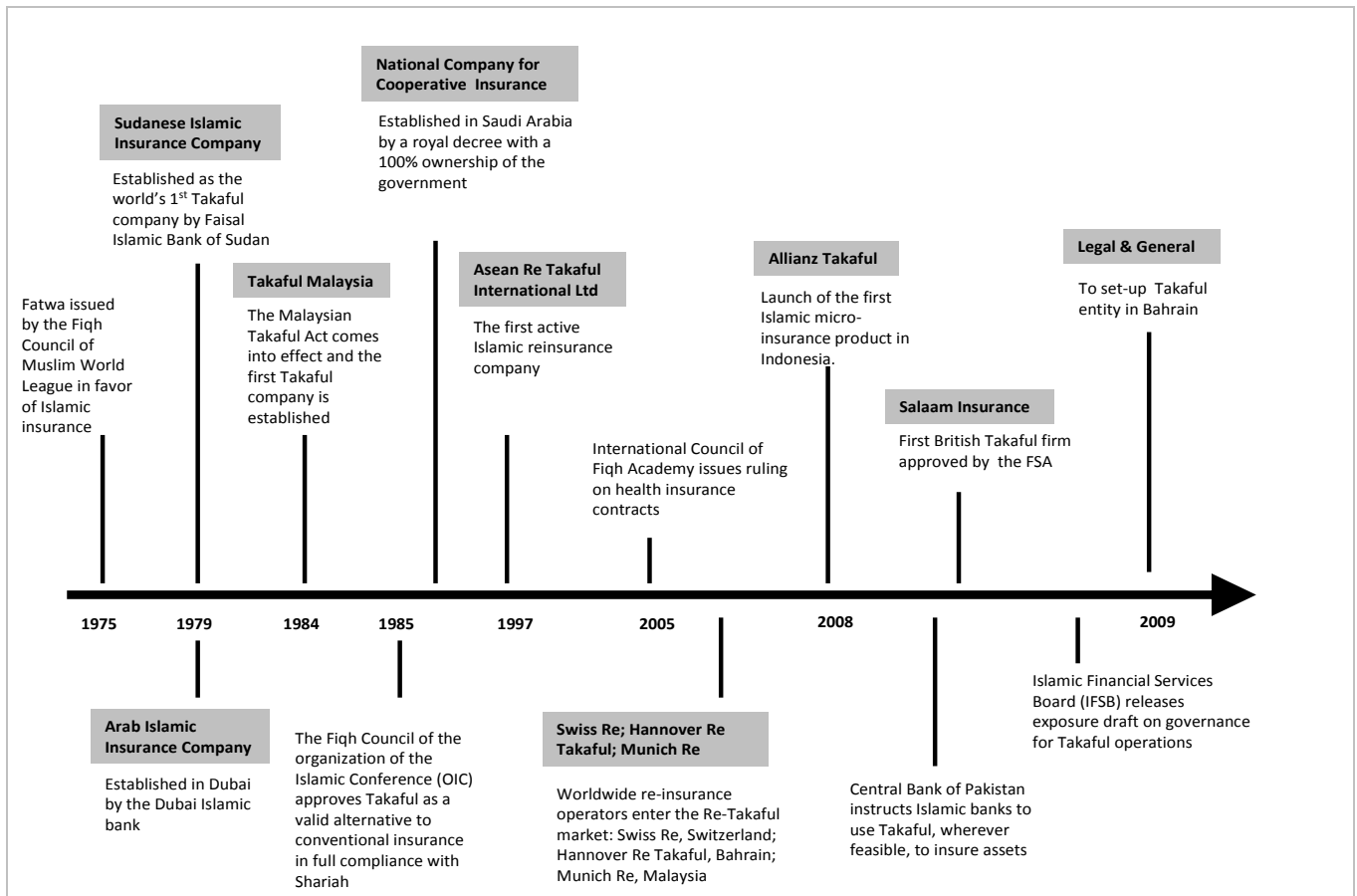
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- A special court called the Committee for resolution of Insurance Disputes & Violations has been established to settle insurance disputes.

Source: Various news agencies, Booz Allen Hamilton, Blominvest

8.4 Understanding Takaful

Takaful is a form of financial protection, similar to insurance, which is compliant with the Islamic principles (Shariah) and is based on the principle of solidarity and mutual guarantee. It has been established in its modern form for over 25 years and the number and business scale of firms offering Takaful protection has grown significantly over the recent years. The word 'Takaful' originates from the Arabic word *kafalah*, meaning "guaranteeing each other" or "joint guarantee", and stems from the concept of Islamic "*muamalat*" (banking transactions).

8.4.1 Evolution over the years



Source: E&Y World Takaful Report 2009, Blominvest

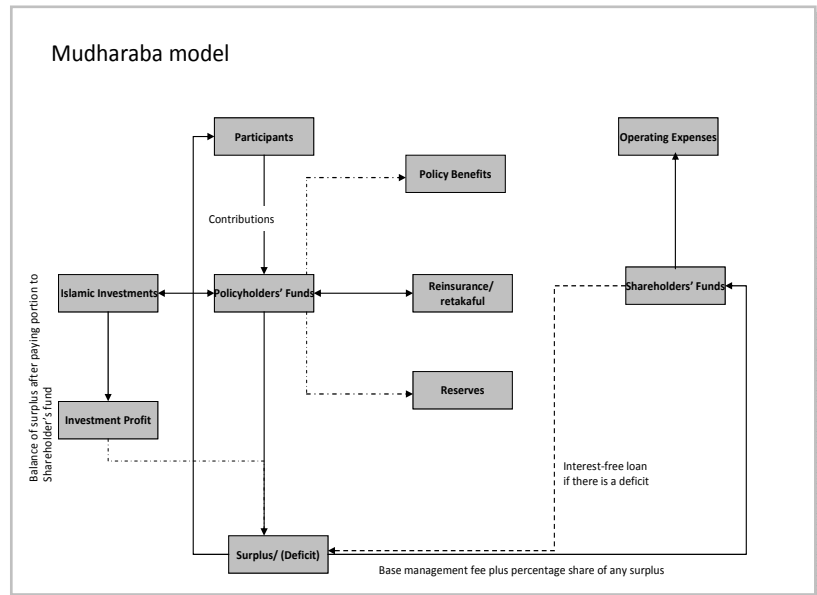
8.4.2 Main principles

- The customers (policyholders) agree to pool their contributions and share the liability of each policyholder. Each policyholder agrees to allow his or her contributions to be utilized for mutual help and meet the obligations of a fellow policyholder should he/she suffer a defined loss, thus eliminating any uncertainty (*'Gharar'*), which is forbidden in Islam.
- Similarly, the policyholders share the profit and loss of the Takaful business. The policyholders acquire all the risks of the Takaful company (as opposed to a conventional shareholder or mutual insurance company). The surplus at the end of a financial year is shared by the policyholders.
- If the policyholders' fund makes a loss at the end of the financial year, then a *Qard Al-Hassan* (interest-free loan) from the shareholders funds the deficit. Future surpluses of the fund are utilized in repaying the shareholders' loan. The shareholders can access the surplus from the policyholders' fund only after the *Qard Al-Hassan* is repaid.
- The assets of the Takaful business have to be invested in Shariah-compliant assets. For example, investments cannot be made in gambling institutions, businesses that make alcohol, sell weapons or in assets that pay interest (*'Riba'*).
- The operators of the business are paid explicit fees for setting up and running the company on behalf of policyholders. This fee covers all set-up costs, operating costs, and profit loading of the shareholders (which is the only way they are remunerated). To maintain transparency, this fee is explicitly mentioned in the contract

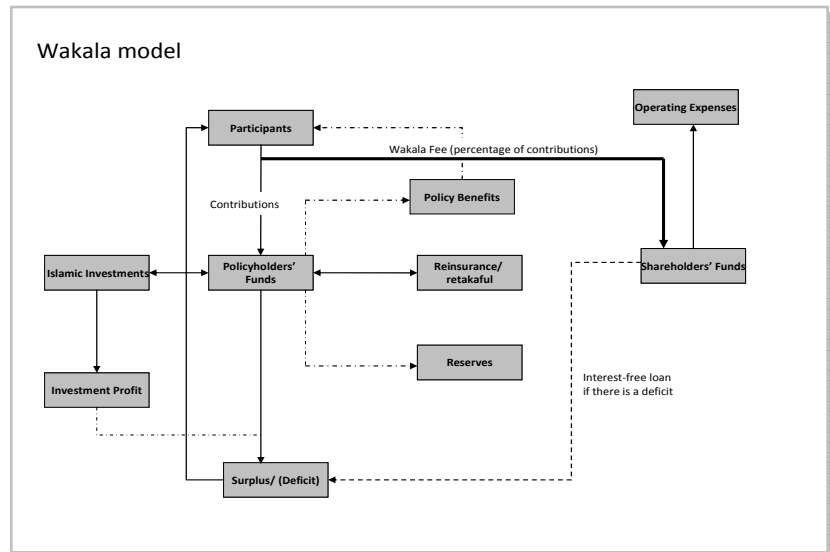
that each policyholder signs with the Takaful company. After fee deduction, policyholders share any surplus from the Takaful business.

8.4.3 Operating models

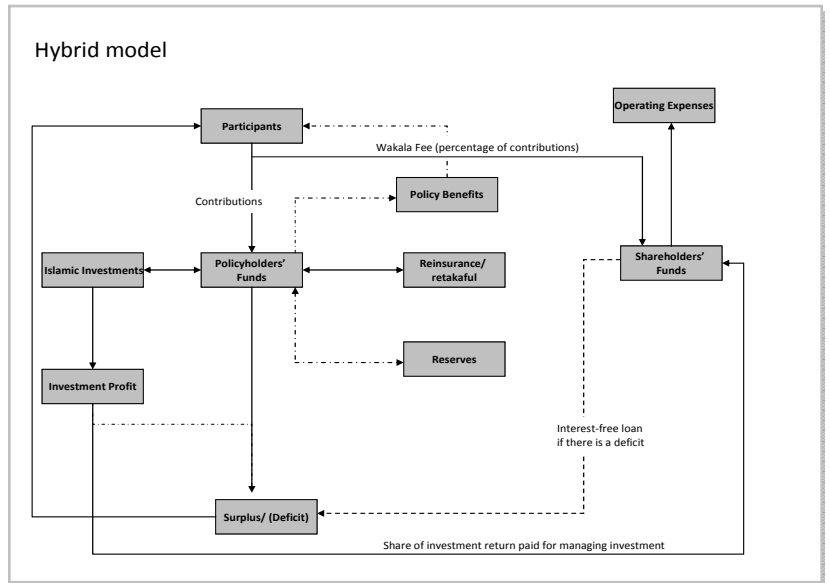
Mudharaba: Under this model, the Takaful operator acts as a *Mudarib* (entrepreneur) and the participants as the capital providers (*rab ul mal*). It includes a contract that specifies the conditions for profit/loss sharing. However, in the absence of clear terms and conditions, the capital providers are entirely responsible for any loss.



Wakala: The operator acts as an agent for Takaful participants for fixed fees. In this case, the operator takes no underwriting or investment risk and all profits/ losses accrue to the participants only. The fee taken by the Takaful operator is known as the *Wakala* and is generally set as a percentage of contributions paid. The operator is able to make a profit if the fee is higher than the expenses. There may also be a performance-based element to the fee, which helps in aligning the incentives of the fund participants and the Takaful operator (modified *Wakala*). Also, such contracts make it easier for the operator to offer an adequate economic return to its shareholders.



Hybrid: A relatively common structure is for investment activities to be carried out under a *Mudharaba* contract, but for underwriting activities to be undertaken as part of a *Wakala* contract. This means that a Takaful operator shares the potential upside of investment operations but is remunerated for its underwriting selection based on a *Wakala* fee. This has implications for the incentives of the operator and for corporate governance.



8.5 Acronyms

ADNIC	Abu Dhabi National Insurance Company	ICC	Insurance Control Commission
AED	United Arab Emirates dirham	IFIC	Industrial and Financial Investment Company
ALAIN	Al Ain Ahlia Insurance Company	IND	India
ARIG	Arab Reinsurance Group	JPN	Japan
BHD	Bahraini dinar	KIC	Kuwait Insurance Company
BHR	Bahrain	KQIC	Kuwait Qatar Insurance Company
BKIC	Bahrain Kuwait Insurance Company	KWD	Kuwaiti dinar
BMI	Business monitor international	KWT	Kuwait
bn	billion	MEA	Middle East and Africa
BNM	Bank Negara Malaysia	mn	million
BRA	Brazil	MNHI	Muscat National Holding Company
CAGR	Cumulative average growth rate	NCIC	National Council of Insurance Companies
CBB	Central Bank of Bahrain	OIC	Oman Insurance Company
CBU	Completely build units	OM	Operating margin
CCHI	Council of Cooperative Health Insurance	OMN	Oman
CHN	China	OMR	Omani Rial
DEU	Germany	OUIS	Oman United Insurance Company
DICS	Dhofar Insurance Company	P/CF	Price by cash flow
DIFC	Dubai International Financial centre	P/E	Price by earnings
dwt	deadweight tons	QAR	Qatari Rial
EIC	Emirates Insurance Company	QAT	Qatar
EISA	Egyptian Insurance Supervisory Authority	QATI	Qatar Insurance Company
EMLs	Estimated maximum losses	QFC	Qatar Financial Centre
EPS	Earning per share	QGRI	Qatar General Insurance & Reinsurance Co
ERM	Enterprise Risk Management	ROA	Return on asset
FRA	France	ROE	Return on equity
FSA	Financial Service Authority	SAMA	Saudi Arabian Monetary Agency
FSAP	Financial Sector Assessment Program	KSA	Kingdom of Saudi Arabia
FSMP	Financial Sector Master Plan	TEU	twenty-foot equivalent units
GBR	United Kingdom	TKFL	Abu Dhabi National Takaful Company
GCC	Gulf Cooperation Council	TNI	The National Investor
GDP	Gross Domestic Product	UAE	United Arab Emirates
GIC	Gulf Insurance Company	UIC	United Insurance Company
GLA	Gross leasable area	UNCTAD	The United Nations Conference on Trade & Development
IAIC	Islamic Arab Insurance Company	USD	United States dollar
IAIS	International Association of Insurance Supervisors	ZAF	South Africa
IC	Insurance Commission		



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