



Contact us

Issue 6 | March 2007

Newsletter Sections:

Market Highlight - India

AIG Events in the Region

MEMSA Newsroom

AIG World

- BAHRAIN MALTA
- CYPRUS OMAN
- EGYPT PAKISTAN
- GREECE SAUDI ARABIA
- INDIA SRI LANKA
- KUWAIT TURKEY
- LEBANON UAE

Message from the President - Charles Bouloux



As we head towards the close of our first quarter we are showing positive trends in our region reflecting a successful start to our 2007 year. We added new head count and gained traction on existing strategies we implemented in late 2006 and continue to train our staff to maintain the highest standards in professionalism and technical knowledge in the market.

By hiring and training the highest quality professionals in the business we continue with our goal of developing them in to insurance market leaders. Accordingly, we have made some internal changes to our management structure to capitalize on the strength of our management team and their experience and knowledge of the market.

Osama Abdeen has been promoted to the Executive Vice President with responsibilities over Arabia and will be managing and overseeing the centralized underwriting and servicing office in Dubai as well as all country operations within the Middle East. Farid Saber has recently been promoted to Country Manager for Kuwait and replaces Jean Pierre Assaf who has taken on a more complex operation in Sri Lanka. Gogtug Gur has been transferred to Pakistan where he will take over as Country Manager following his successful term as Country Manager in Sri Lanka. Tim Shields has been appointed Chief Operating Officer of AIG Egypt where he will be managing the day to day operations to bring a fresh perspective to the Egyptian market. We wish all of them growth and success in their new positions.

As we continue to progress through the year we look forward to innovation and production from our dynamic new management team and anticipate a successful conclusion to our 1st quarter.

Welcome to global insurance with a local perspective "while you keep your eye on the opportunity, we will take care of the risk".

Best regards,

Charles Bouloux
Regional President
AIG MEMSA, Inc.



AIG Events in the Region

1. Corporate Governance Seminar - Greece

More than 300 top-level executives of Greek and multinational firms and organizations attended the one-day event entitled: "Corporate Governance: An uncertain world for corporations and directors" that was held on February 7, 2007 at the Grande Bretagne Hotel in Athens.

AIG Greece and the Hellenic-American Chamber of Commerce co-organized the prestigious conference that was supported by the leading Greek business school, ALBA Graduate School of Business.



During the event, the wide spectrum of "liabilities" facing directors, members of the Board of Directors and enterprises in today's global market was extensively examined. The importance of Directors and Officers (D&O) liability insurance coverage was highlighted in the context of the increasingly regulated business environment which exposes companies' senior management to claims arising from a number of stakeholders, including shareholders, customers, employees, etc.

In his opening remarks, Mr. Christos Adamantiadis, Country Manager of AIG Greece, stated that, "Risk has, today, a very wide and complicated meaning for corporations and professionals; whilst some corporate risks have become endogenous to – and therefore effectively managed by – today's enterprises, there is a growing number of risks related to "corporate liabilities" arising from the external environment, including but surely not limited to: respect of local communities and special interest/social groups, environmental protection, assertive shareholders, customers and employees, active regulatory bodies and many others. Within this framework, directors and officers face multiple threats, including legal action against individual directors, which can seriously divert them from the management and damage the progress of their companies. The insurance industry is responding effectively to these challenges by developing innovative insurance products that offer maximum protection to the business community a gainst the new generation risks".

Mr. Alexis Pilavios, President of the Hellenic Capital Market Commission (the Athens Stock Exchange Regulating Authority) presented comprehensively the legal framework of Corporate Governance in the European Union and its effects on the business practices. Participants had the opportunity to listen to a stirring presentation, delivered by Mr. Nikos Ebeoglou, President of ALBA Graduate School of Business, on corporations' responsibility to include, in their business practices, initiatives for their employees, the society and the environment. With his stimulating comments and thoughts, the conference moderator, Mr. Nikos Travlos, Dean of ALBA, contributed to be conducted a fruitful dialogue between the speakers and the audience.

Keynote speaker, Mr. David Wood, Vice President Financial Lines of AIG's Middle, Mediterranean and South Asia Division shared with the audience his considerable experience from the EU, US and the Middle East in terms of Director's liabilities. Special emphasis was given not only to the legal framework pertaining to individual directors' liabilities in the EU countries but Mr. Wood also presented specific claims cases from Greece and Continental Europe. The presentation concluded with a detailed analysis of the coverages offered by D&O insurance programs in Greece and Europe.

It should be noted that AIG Greece, the market leader in the management liabilities insurance sector, is currently offering the following D&O products:

BusinessGuard: The product is addressed to Greek companies listed on the Athens Stock Exchange as well as foreign stock exchanges. BusinessGuard is the sole D&O product in the Greek market which is available in the Greek language.

ManagementGuard: The target market of the new program of AIG Greece is small & medium-sized unlisted companies with maximum annual turnover of €50 Million who need infidelity cover but are also interested in D&O liability insurance.

2. Promotion of Product liability and Contaminated Product insurance solutions at the "FOOD & DRINKS" exhibition

AIG Greece successfully completed a promotion campaign for the Product liability and Contaminated Product insurance solutions during the "FOOD & DRINKS" exhibition that held during February 22-26, 2007 at the Expo Athens exhibition center in Athens.

Responding effectively to the demand of the Greek food & drink market for specialized insurance products, the "Business Solutions" of AIG Greece offers comprehensive product liability programs that adequately cover international as well as local liabilities of any producer, supplier and dealer.

The Products Liability coverage of AIG Greece protects local businesses against the costs of compensating third parties (individuals and companies) in the case of bodily injury or property damage arising out of the product. In addition, it covers the legal costs for defending the action.

Contaminated Products Insurance cover is addressed to food and drink, cosmetics, pharmaceuticals and tobacco companies. The insurance protects against accidental and malicious product contamination that would cause bodily injury due to use or consumption. Cover includes recall costs, loss of gross profits, rehabilitation costs and fees of international crisis management & communication consultants.

It should be noted that both coverages provide worldwide umbrella protection, including U.S.A. and Canada, to businesses with exporting activities.

The unique features of "Business Solutions" suit of products have been rewarded by commercial clients and producers by positioning AIG Greece as the innovation pioneer and dominant player of the Greek liability insurance market.

3. Corporate Governance Seminar - Egypt

AIG Egypt Insurance Company is jointly organizing a conference on the "Duties and Liabilities of Directors" with The Egyptian Institute of Directors (EIoD), and International Finance Corporation (IFC), as part of a string of initiatives by AIG in support of the Egyptian government's efforts to improve corporate governance practices in Egypt.

The conference will be held on February 28th for a group of directors and executive managers of listed as well as private and multinational companies to introduce them to the duties and liabilities of directors in corporations.

This is part of the growing emphasis placed on corporate governance in Egypt on the part of the Egyptian government.

Mujib Khan, Managing Director of AIG Egypt Insurance Company said that AIG's initiative resulted in organizing the conference, which reflects the importance of consolidating corporate governance practices according to international standards and raising awareness among executives.

This important conference builds on last year's initiatives when a series of conferences were jointly organized by EIOD, IFC, and AIG Egypt to develop the performance of executives.

Market Highlight - India**The Indian Liability Insurance Kaleidoscope – A commentary on the Past, Present and Future.****THE PAST**

In India, in the pre-liberalisation days, Liability Insurance remained in the realm of the unknown, undemanded and unsold. The advent of private companies eager to bring different products into the market changed that – but only a bit. Why “only a bit”? Let us examine the statistics of Liability insurance in developed insurance markets to see where we stand. In US, 50% of the Non-life General Insurance premium comes from Liability Line of Business. In Europe, the share of liability insurance in the entire non-life premium could be between 25% to 40%. In India however liability insurance accounts for only 3% of the Non-Life Insurance Premium.

As a keen observer of Liability Insurance in India, some of the reasons which quickly come to my mind are as follows:

The Indian Mindset pertaining to Liability Insurance–

The fatalistic Indian attitude “whatever has to happen will happen anyway!” and the Karmic theory of past sins being responsible for any misfortunes visiting us; prevent us from being a redressal/compensation seeking society. The low legal awareness coupled with low insurance awareness affected the growth and development of this line of business.

Liability Insurance has been mostly bought (but not sold) in the pre-liberalisation era –

Thus where the customer demanded liability insurance, the demand was met but the insurance industry prior to liberalization did not impart any sales focus to this line.

Lack of indigenous underwriting authority and capacity for large proposals –

Prior to the advent of private insurance companies in India, the Insurance Industry was dependent on foreign underwriting and reinsurance for specific lines of Liability Insurance such as Directors and Officers and Professional Indemnity. Lack of autonomous authority also stunted the growth of this product.

Inappropriate policy wording for locally accepted/ underwritten liability risks –

Casualty lines of business namely product and public liability had decent local capacity available in the market through the market agreement structure but the wording which catered only to low litigation Indian Market did not find acceptance in the international market. Therefore buyers of insurance found it easier to wriggle out of insurance mandates rather than incept locally admitted covers granting worldwide coverage.

Lack of Liability claims handling infrastructure of the Indian Insurance Industry –

A resultant effect of lack of focus led to inadequate infrastructure for claims handling. Even to-date it is recognized that Indian Liability Insurance Market is fuelled by global exposures which in turn demand global claims handling.

It is difficult to pinpoint one single predominant reason for the low demand but together they make a compelling case for the retarded growth of Liability insurance in India in the past.

THE PRESENT

Since then Liability Insurance has like the proverbial chrysalis emerged from its cocoon to assume the form of an attractive butterfly. This would not have been possible without its charm being appreciated by all the stakeholders in the insurance business - the broker, the insurance buyer and the insurer.

For the Insurance Buyer:

Liability Insurance keeps pace with his global ambitions. Whether he is contemplating venturing out of domestic boundaries to contemplate exporting his products and services to tough and unknown jurisdictions or even engaging in mergers & acquisitions, Liability Insurance minimises the downside of every transaction.

Liability Insurance is often the only source of financial recourse in the event of litigation. Compare this with an asset loss. When an entrepreneur suffers loss of assets even if his insurance is inadequate, based on other parameters, banks and other financial institutions will bail him out of distress by reconstruction/restructured financial packages and soft loans. But an unfortunate entrepreneur when faced with litigation finds no help for expensive legal fees (and God forbid if damages are awarded against him) from any financial partner other than his liability insurer. It is for this reason alone that insurance buyers faced with global liability exposures must not compromise on either the adequacy or the quality of liability insurance.

Duty to defend Claims handling also make a compulsive case for buying Liability Insurance. Some of the claims provisions in Liability insurance almost make it possible for the insured to effectively outsource adverse litigation management . (The caveat of course is that this is also subject to adequacy of the sum insured). The concomitant advantages are giving him un-paralleled claims expertise in the jurisdiction where the claim is filed against him, keeping his claims costs down to the minimum (and also his renewal premiums) and letting him go about his own business undisturbed.

For the Brokers:

Intermediation in this line of Business is viewed as unquestionable value addition by Insurance Buyers.

When a market is used to direct relationships with no more than a handful of insurers who provide the same coverage at supposedly the same rates, the bigger challenge for brokers is to be seen providing a definite value addition through their intervention in Risk Management and Insurance Buying. However, liability line of business is one area where coverage, interpretation, premium and getting the best deal depends largely on product knowledge and negotiation skills. Here the inputs of a professional broker have not been questioned in the market by serious buyers of Liability Insurance.

Brokers are most suited to structure Liability programmes with large limits of liability. When negotiating for liability policies which obviously go beyond the insuring capacities of most Insurers in the market, the broker is aptly poised to structure the deals through their primary and excess layers, thus providing a seamless package to the Insurance Buyer.

For the Insurers:

For Insurers in India the low claims experience in this line of business makes it lucrative to develop it further. The claims experience on this for most insurers has been quite favourable encouraging many of them to seek liability insurance from their clients in order to accommodate other non-profitable lines of business. Even on a stand-alone basis liability insurance permits the Insurer to have a higher risk taking appetite at the same time keeping the overall claims ratio within controllable limits. The only caution is to put in adequate reserves to meet an unexpectedly large claim if ever it arises.

Liability Insurance in India is virtually an untapped market yet and with the current growth of the Indian economy with obvious emphasis on globalization from Indian entrepreneur, there is only one way that demand for liability insurance can go – up !

THE FUTURE:

The pioneering pains are behind us, but how does the future augur for this line of business ? Pro-activity to ensure future development for the Liability Line of Business leads me to propound the TEST (Training, Expanding, Self-reliance and Targeting) strategy as follows:

- **Training:-**
Expertise in this Line of business needs to be felt across the industry and not in some pockets. Insurance players have to appreciate the need for intensive training needs in liability insurance because most classes of liability insurance demand intensive and sophisticated underwriting.
- **Expanding the Pie:-**
The key word in marketing liability insurance within developing economies is to expand the pie, rather than attack existing liability business in the country and compete on the same with existing players. This can only serve as a starting point; it cannot sustain long term growth. Long term growth is achieved by analyzing the market, seeing the need for liability insurance from the consumer which has not been catered to by existing players and being the first in the country to provide the same.
- **Self-reliance:-**
It is a must to develop indigenous underwriting capability and expertise – No insurer of substance can ever hope to grow his liability book, if he is constantly dependent on foreign markets for underwriting support both technical and in terms of capacity. It is a must therefore, to set up and nurture a liability department, within the company so that strong pillars of future basis of growth, viz. global expertise, local adaptability and quick decision-making are set up. This and only this, can establish the confidence of the ultimate consumer in placing and

renewing liability business with the insurer.

- **Targeting:-**

It makes good sense to align marketing strategies with growth of the industrial sectors and economic trends within the economy. Let me illustrate this further. Five years not so long ago, a survey was conducted on the D&O insurance policies sold within the country – and found that D&O Liability insurance was bought by companies who accessed funds from the stock exchange abroad. Thus Indian Companies who had ADR / GDR issues or were listed on foreign stock exchanges were more likely to incept D&O insurance, in keeping with the litigious trends of that country.

Another example can be derived from the fact that Liability insurance in the country has grown with the growth of the IT sector. As Indian IT service suppliers moved up the value chain from mere body-shopping agencies to executing turnkey IT projects, they had to satisfy mandates of Liability Insurance from their customers located abroad.

From there on it was constantly remembering the most oft repeated mantra; “**Find the need and fill it**”.

This has been an attempt to lend the past present and future perspectives on Liability insurance and to most practitioners of insurance, I will end with one of my favourite quotes on Liability insurance . For anything human, you have to understand it to be able to love it, but for anything divine you have to love it before you can even begin to understand it and in that respect Liability insurance comes closest to divinity !

MEMSA Newsroom (see articles below)[India: Tata AIG Life to set up 120 new branches](#)[Egypt: Price competition among insurers rampant](#)[UAE: EBI, NBD set for consolidation](#)[Bahrain: KFH-Bahrain to debut Islamic EMV payment card](#)[Greece: EU warning over the high usage of coal](#)[Greece: Recall on another 334 Suzuki Ignis](#)[UAE: New seismic monitoring centre to be established](#)[UAE: Low polluting fuels to be introduced soon](#)[Jordan: Lawmakers claimed fraud in Umniah's acquisition](#)[Greece: Ministry called the end for two insurance firms](#)[Greece: HSBC to expand further within the local market](#)[Greece: Groupama completed Finix Metrolife's takeover](#)**India: Tata AIG Life to set up 120 new branches**

The Hindu Business Line, 13 Feb 2007, :-

India-based insurance firm Tata AIG Life Insurance Co Ltd (Tata AIG Life) will be opening 120 full-service branches nationwide to offer its entire suite of services and life insurance products. The new branches, which are scheduled for operations by August 2007, are in line with the company's accelerated plans to expand in the country. With the additional branches, the company will be operating in 102 locations nationwide through 192 branches.

© Esmerk

[Link to original article](#) in English.[Back to Top](#)**Egypt: Price competition among insurers rampant**

The Daily Star (Egypt), 11 Mar 2007, :-

The Egyptian Insurance Supervisory Authority's (EISA) Supervision Head, Hosny Hamed, revealed that the authority is formulating steps to control the deregulated competition and halt the price war among insurance companies in the country. Insurance Federation of Egypt's General Secretary, Elhamy El-Kady, disclosed that insurers have started to decrease prices by underwriting schemes at rates exceeding premium values and subsequently caused fierce price competition in the insurance industry.

© Esmerk

[Link to original article](#) in English.[Back to Top](#)**UAE: EBI, NBD set for consolidation**

Gulf News, 07 Mar 2007, :-

United Arab Emirates (UAE)-based National Bank of Dubai (NBD) will be merging with Emirates Bank International (EBI) with the aim of enabling the UAE to face challenges like free trade agreements with the US. The merger, which is also aimed at allowing the country to compete in international markets, will create one of the largest banks in Middle East with Dh 165bn (US\$ 44.92bn EUR 34.23bn) of assets.

© Esmerk

[Link to original article](#) in English.[Back to Top](#)

Bahrain: KFH-Bahrain to debut Islamic EMV payment card

Gulf Daily News, 07 Mar 2007,;-

The Middle East region's first chip-based payment card with EMV [Europay-Mastercard-VISA] standard and Islamic compliance is set to be launched in Bahrain by Kuwait Finance House-Bahrain (KFH-Bahrain). Bahrainis will be able to use the smart card at automated teller machines (ATM) and Point-of-Sale (POS) terminals. Bahrain-based Arab Financial Services will be assisting KFH-Bahrain to comply with the standards of VISA.

© Esmerk

[Link to original article](#) in English.

[Back to Top](#)

Greece: EU warning over the high usage of coal

Kathimerini, 12 Mar 2007,;-

According to the European Environment Commissioner, Stavros Dimas, Greece will face the European Commission's wrath unless it manages to embrace a cleaner form of power production that will replace high polluting fossil fuels such as lignite. EU statistics have previously showed that Greece produces 9.2 tonnes of carbon dioxide (CO2) per capita each year, compared with an EU average of 8.5 tonnes, while the country has been named the EU's second worst offender, after Portugal, with its CO2 emissions up by 124% since 1990. Greece's public power corporation, Dimosia Epixirisi Ilektrismou (DEI), is responsible for the largest amount of the emissions. The EU insists that most of the Mediterranean countries (including Greece) are capable of producing most of their energy needs from renewable sources such as wind and solar. Instead, Greece's dependence on lignite in 2006 accounted for 60% of its entire energy production.

© Esmerk

[Link to original article](#) in Greek.

[Back to Top](#)

Greece: Recall on another 334 Suzuki Ignis

Imerisia, 12 Mar 2007,;-

The Greek car and motor dealership of Sfakianakis (the official dealer of the Japanese manufacturer Suzuki in Greece) has ordered the recall from the domestic market of a further 334 Suzuki Ignis 1.5 cars (for models numbered from JSAFHV81S00105150 to JSAFHV81S00106203), due to possible manufacturing faults. No accident related to the specific problem has been reported so far, yet this is the second time that Sfakianakis recalls a batch of the specific model for the same reason; 538 cars were recalled in August 2005.

© Esmerk

[Link to original article](#) in Greek.

[Back to Top](#)

UAE: New seismic monitoring centre to be established

Gulf News, 12 Mar 2007,;-

On 11 March 2007, the Ministerial Service Council gave clearance for establishment of a meteorology and seismic monitoring centre in the United Arab Emirates (UAE). The move is planned following warning by experts of a possible bigger earthquake due to repeated seismic activity in the vicinity of Qeshm island off Iran.

© Esmerk

[Link to original article](#) in English.

[Back to Top](#)

UAE: Low polluting fuels to be introduced soon

Khaleej Times, 07 Mar 2007,;-

In the United Arab Emirates (UAE), low polluting fuels such as low-sulphur diesel and unleaded petrol, will be unveiled soon to mass transport motor vehicles in a bid to reduce the emission of harmful gas. On the other hand, according to Dr Mohammed Saeed Al Kindi, the Minister of Environment and Water, the government would develop a national network to link all its air monitoring stations in order to obtain precise air pollution measurement for air quality control.

© Esmerk

[Link to original article](#) in English.

[Back to Top](#)

Jordan: Lawmakers claimed fraud in Umniah's acquisition

Jordan Times, 08 Mar 2007,;-

On 7 March 2007, the sale of Jordan-based mobile operator Umniah Mobile Communications (Umniah) was referred to the Prosecutor General by Deputy Lower House Speaker Nayef Fayez. Jordanian lawmakers made allegations that there are possible financial irregularities in the sale of the local company to Batelco, a telecommunications company from Bahrain. To assist in its operations, a number of concessions and tax exemptions were given by the government to Umniah, aside from selling the operating license to the company for JD 4mn (US\$ 5.65mn EUR 4.3mn). When local lawmakers discovered that Umniah sold 96% of its share to Batelco for US\$ 415mn, they believed that the government was "being cheated".

© Esmerk

[Back to Top](#)

Greece: Ministry called the end for two insurance firms

Imerisia, 06 Feb 2007,-

The Greek Ministry of Development has ordered the general insurance companies Egnatia Asfalistiki and Le Monde to stop operating within the domestic market, after withdrawing their licence to operate due to unpaid debts. The two companies insured a total of 350,865 (Egnatia 278,000 and Le Monde 72,865) drivers, who will now have to find themselves a new insurer.

© Esmerk

[Link to original article](#) in Greek.

[Back to Top](#)

Greece: HSBC to expand further within the local market

INaftemporiki, 18 Feb 2007,-

Michael Geoghegan, the Managing Director of the HSBC, has announced that the group will invest towards its further expansion within the Greek market this year, while he has left the possibility of new acquisitions by HSBC in Greece open by stating that such move is not out of the question. However, according to Geoghegan, takeover prices for Greek banks do not come cheap, and it is more likely that the group will invest towards the expansion of its own branch network, as well as the expansion of its direct banking service via the Internet and call centers. He has also pointed out that despite the healthy competition within the Greek banking market, there will be always demand for a brand such as HSBC's. It has been 25 years since the UK-based international group first appeared within the Greek market, and during that period has established a network of 22 branches, including HSBC Bank, HSBC Pantelakis, HSBC Hellas.

© Esmerk

[Link to original article](#) in Greek.

[Back to Top](#)

Greece: Groupama completed Finix Metrolife's takeover

Imerisia, 20 Feb 2007,-

Emporiki Bank of Greece (in which France's Credit Agricole owns a 72% majority stake) has confirmed the sale of its 100% stake in its insurance subsidiary, Finix Metrolife Emporiki, to Groupama International.

© Esmerk

[Back to Top](#)



Issue 6 | March 2007

AIG World

1. AIG DECLARES QUARTERLY CASH DIVIDEND OF 16.5 CENTS PER SHARE [Click here](#)
2. AIG HOMELAND SECURITY SOLUTIONS FORMED TO HELP MANAGE TERRORISM EXPOSURE AND RISKS [Click here](#)
3. AIG REPORTS FULL YEAR AND FOURTH QUARTER 2006 RESULTS [Click here](#)