



Issue 15 | March 2008

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**Message from the President - Charles Bouloux**



The first quarter projections are in line with the budget goals we set out towards the end of the last fiscal year and we are seeing growth in the Small Business Solutions segment which is one of the key focus areas for us in 2008. We continue to find ways to improve our products and services through automation, process management and underwriting skill to cater to our clients and make the

experience easier, faster and more effective.

We recently held a Major Accounts Seminar in India on February 11th, 2008 to highlight our multi national capabilities in the region. The key focus was on our local capabilities of centrally managing global accounts by capitalizing on our global network which includes offices in over 95 countries around the world. The presence and experience is complimented by our continual improvement of systems and experience to ensure compliance with local legal and regulatory guidelines to insure an enforceable, seamless, master controlled program for our clients.

The presentation included guest speakers from our global headquarters in New York. Mr. Nicholas Walsh the President and CEO of AIU, Mr. Michael Sherman the President of our Commercial Lines Division, Mr. Ralph Mucerino the President of Global Marine and Energy as well as the Executive Vice President of our Major Accounts Practice Mr. Stephen Campbell were our guest speakers and panelists during the seminar. The participation from clients and prospects in India was overwhelming and the feedback was positive and raised new opportunities for us in the market.

A similar presentation to the one in India was held in Sri Lanka on February 27th, 2008 highlighting Risk Management and Claims to the client and brokerage community. The presenters included Mr. Ziad Kubursi our RVP for Major Accounts, Mr. Stuart McCreadie the Regional Manager for Engineering and Mr. John Sabalis the Senior VP for Claims in the region. The seminar attracted over 200 clients and brokers from the community and the event is highlighted in this month's issue of MEMSA Ink.

We continue to measure our success in the region through feedback from our clients and distribution channels. In an effort to coordinate the voice of our clients and distribution channels, our R&D team with the assistance of the Major Accounts Practice and Office of the Customer completed the first phase of a survey that will be launched bi-annually to generate feedback and assist us in improving our operation to cater to our client and distribution base.

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.





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## Product Highlights

### **Liability Group Presents - Construction Liability All Risk - Project Policy as a DIC/DIL Wrap to a Construction All Risk Policy - Creating a Competitive Advantage**

AIG's Liability All Risk - Project ("LARS") Policy has been developed as a standalone product with a Liability section that provides coverage that is broader than most standard forms available in the market. LAR is a modular form and can extend coverage for Crisis Containment and Environment Impairment Liability under single policy.

In order to meet market expectations and bridge the gap between current buying practice versus future buying practice, we are making our policy available on a Difference In Conditions / Difference in Limits basis to CAR/EAR policy.

Our policy form on a DIC/DIL basis represents a win-win-win:

- Insured: gets broader coverage than that provided under a CAR policy. This liability cover will extend through their excess liability program.
- Broker: gets to demonstrate to their client that they are bringing broad coverage to them in a cost effective manner (liability cover "included on CAR, often for "free").
- AIG: gets to lead on the Excess Liability and introduces Environmental and Crisis coverages.

Here below are the FAQ's that would clarify LAR policy Objectives, Intentions and coverages.

**1. Can coverage be provided for Annual Contractors policies?**

*This policy was developed specifically for Projects. It is likely that it can be tailored to be an annual policy, but at this stage we are focused on projects only.*

**2. What Limits of Indemnity can we cover under each Section?**

*Standard profit center guidelines apply: Third Party Liability \$100,000,000; Environmental Liability \$50,000,000 and Crisis Containment \$1,000,000. Our standard offers will likely have lower limits.*

**3. Are Policy Limits aggregated?**

*Third Party Liability Completed Operations and the Environmental Liability sections both have aggregate limits. These limits apply for the term of the policy.*

**4. How does the Environmental Coverage interact with Pollution Coverage granted under Section 1?**

*The Third Party Liability section provides Difference in Limits coverage over the Environmental section. If the Environmental Liability limit is lower than the TPL limit, the TPL limit will apply on a DIL basis for S&A coverage; therefore, S&A coverage is always provided for full TPL policy limits. In the event the Environmental section is not purchased, the Third Party Liability section will still provide S&A pollution coverage.*

**5. What are the key coverage benefits of the Environmental Section?**

*Coverage is afforded for both gradual pollution and on-site clean up (a first party cover) when governmentally required.*

**6. Do we provide Cross Liabilities?**

*Cross Liability is provided under D. General Provisions, item 4. Multiple Insureds.*

**7. Who can be considered and Insured under the Project Policy?**

*The Insured can be the General Contractor, Subcontractors and the Principle. The burden is on the underwriter to fully understand the different liabilities of the parties. One must also keep in mind that we provide Multiple Insured (Cross Liability) cover.*

**8. Do we cover the US/Canada?**

*Coverage is afforded in the USA and Canada for non operational and premises risks, as they should be covered locally. Coverage in the USA is also not covered for manual work. The policy*

*essentially provides trip travel coverage to visit suppliers, financiers, engineers & architects and other parties.*

**9. What does Crisis Containment provide?**

*Indemnity for Consultant Costs and Extra Expenses that are incurred as a result of a Crisis are covered. The definition of a Crisis is very broad and includes crucial times in the Insured's activities that result in Adverse Publicity or imminent financial loss.*

**10. Does the Policy cover completed operations?**

*The policy automatically covers completed operations. If you do not want to offer this coverage you must exclude it. An endorsement will be developed.*

**11. What Self Insured Retentions are applicable?**

*Self Insured Retentions can apply to each section of the policy. Presently the SIR applies to all damages including defense cost. We will likely change the standard wording to have defense cost run outside of the SIR. When that occurs we will also provide an endorsement to allow defense cost to be included within the SIR.*

**AIG Events in the Region:**

**Hayleys AIG Insurance Sponsors its Second Sri Lankan Risk Management Forum**

On February 26th at the Ceylon Continental Hotel in Colombo, Hayleys AIG sponsored the second Sri Lankan Risk Management forum. This program was designed to raise awareness in the local market of risk management techniques as well as value added engineering and claims services provided by Hayleys AIG to manage risk through loss control and effective claims management.



Hayleys AIG continues to reinforce its commitment to the local Insurance market through continued expansion of its local operations through geographic expansion and local development of the market and its resources. Mr. Jean-Pierre Assaf, Managing Director of Hayleys AIG commented on the event "this is part of our continued support of our Insurance Market and our commitment as a long term player in Sri Lanka. Our goal is to give back to the community through sharing our 80 years of experience as a global insurance company and bringing all our resources to build on the existing strength of the market through education and experience."



The presenters for this seminar included three regional AIG resources from the headquarters for the Middle East, Mediterranean and South Asia region based out of Dubai, UAE. Mr. Ziad Kubursi the Regional Vice President for Major Accounts and Corporate Accounts presented a general overview of AIG and its capabilities in the market both as a global player and locally through Hayleys AIG in the Sri Lankan market. His presentation touched on managing accounts and working with clients to determine how to understand their risk profile to build a balanced and complete risk management program.



Mr. Stuart McCreadie the Regional Head of Engineering for the MEMSA region highlighted the necessity of loss control and what to look for when evaluating a risk as well as measures to be taken as an organization to mitigate losses through risk engineering and risk control measures and programs. Mr. John Sabalis the Regional Senior Vice President of Claims for the MEMSA region brought the loss perspective of the region to Sri Lanka. Mr. Sabalis highlighted the countries 2004 tsunami disaster where Hayleys AIG through its dedicated claims team managed and coordinated with regional resources to manage the situation through strength in communication, timely payments and amicable resolution.



This event has been made possible thanks to the support of the Sri Lankan Broker Association which continues to drive progress and academic excellence in the Insurance Market through its community and leadership.

American International Group, Inc. (AIG), a world leader in insurance and financial services, is the leading international insurance organization with operations in more than 130 countries and jurisdictions. AIG companies serve commercial, institutional and individual customers through the most extensive worldwide property-casualty and life insurance networks of any insurer. In addition, AIG companies are leading providers of retirement services, financial services and asset management around the world. AIG's common stock is listed on the New York Stock Exchange, as well as the stock exchanges in Paris and Tokyo.

**AIG Events in the Region:****Interview with Greece Country Manager**

*Christos Adamantiadis, Country Manager of AIG Greece, interviewed by "Business Partners", the bimonthly magazine published by the American Hellenic Chamber of Commerce. He discusses the challenging insurance industry and how new products can be highly valuable to both individuals and corporations.*

**What characterizes AIG as a leading insurance company in Greece and throughout the world?**

One of the major characteristics of AIG is its international presence. AIG has a local presence and an active operation in more than 130 countries and jurisdictions. In this way, we can take advantage of development in different parts of the world. At the same time, we try to localize our offerings for each and every market, so we do not offer incompatibly standardized products around the world.

No other carrier has such an experience in multinational operations and this has been a characteristic of AIG since its establishment in 1919, in Shanghai.

**What do you see as a major challenge in the Greek market?**

The regulatory environment is clearly a challenge. There hasn't been a dedicated supervisory authority for insurance operations like there has been, for example, for banking. It is only now, since the beginning of January, that an independent supervisory body has been established.

The insurance market in Greece will clearly benefit by this development. This is something that should have been done long time ago. Indicative of the trends in the insurance arena is the fact that the regulator - basically the Ministry of Development until 2007 - had to withdraw the licenses of a number of insurance companies over the past few years. This is one area where we expect further developments in 2008 and 2009.

The other major challenge derives from the fact that insurance follows rather than leads financial developments. If people have no money to spend and companies cut down on investments, the insurance pie shrinks. In other words, the future growth of the insurance industry is strictly tied to developments in other segments of the economy as well as the state of the economy itself. Any economic slowdown is therefore likely to negatively and directly impact the insurance industry as well.

**Is the insurance industry here able to create new products quickly, as it is for instance in the United States?**

We have not yet reached that level of maturity. For example, the local insurance market is operating in no more than three-four basic product ranges. It is indicative that 65% of the total General insurance premiums are Auto related.

**What are some of the products that might be offered in a more advanced market?**

Insurance take up in Greece remains weak. Even products such as home owners insurance - basic fire, theft and flood insurance-which is taken for granted in, say, continental Europe, has never exceeded the 20 % penetration threshold in Greece. Earthquake coverage is even lower - in a country that is amongst the most earthquake-prone in the world and has repeatedly suffered from massive earthquakes. The reason Homeowners insurance has reached a 20% penetration is because banks, through mortgage lending, mandate such insurance coverage, not because of heightened risk awareness.

**What about in the commercial and corporate areas?**

One of AIG's main areas of focus is the commercial & industrial segments, where we have implemented an extensive product development program during the last decade and have introduced new products like D & O (Directors and Officers Liability Insurance), Product Recall and Environmental Impairment Liability Insurance. No other carrier has such a diverse and sophisticated array of products. Given the international background of AIG, we can foresee better or faster than other companies the needs of the corporate market. For example, we introduced D&O insurance back in 1999. It took us three years to get the first policy bound! But since then, the market has steadily grown. It has not reached the level of maturity you meet in other continental European countries but it is growing fast. We are not the exclusive providers of such products; however we estimate that AIG controls approximately 75% of that market.

Recently, we have introduced Product Contamination and Product Recall insurance for the food, beverage, and medical industries. We have also started offering Environmental Pollution insurance policies. In fact, there is a new legal framework in the EU which mandates that the "polluter pays" to clean up the environment he has damaged. This product is mainly addressed to manufacturing, construction, oil and petrol companies, as well as heavy and some light industries. It is a totally new area of interest for the insurance industry, not only in Greece but across the world. So, who knows, maybe it will become the new D & O, which changed the dynamics of the insurance industry drastically in the 1980s and 1990s!

**Please discuss the topic of insurance marketing and distribution.**

Insurance distribution in Greece is not as diverse as in other continental European countries. We-all insurance companies here-are distributing our products through the traditional channel of agents and brokers; other markets have moved beyond that. For example, Auto insurance in the UK, is almost 90% sold over the phone or through the Internet.

Bancassurance is nevertheless picking up fairly fast. Banks are becoming increasingly sophisticated in selling insurance products - even though the products offering themselves are still quite basic. AIG has established alliances with several Greek and foreign banks. It is an interesting distribution channel because of the big volume and of the low cost of distribution. On the other hand, direct sales of insurance-through call centers, the Internet, etc., -has not yet caught on in Greece.

**Today, pension reform is at the heart of Greece's political debate. What role do you play in this important development?**

Private insurance has an important role to play in the pension infrastructure of any country, especially of a country like Greece, where the State provision of pension is under increasing pressure and doubt. Right now, private pension provision is considered the "third pillar" of the pension system: these pillars are the State providers, the auxiliary providers, and finally, the private pension insurance.

Private pension insurance has not picked up yet. There are two ways it can grow: through individual policies, or through corporate (group) policies. Because of all the noise about pension provision in Greece, consumers' awareness is at least building up. The insurance industry could also play an alternative role in managing funds for the auxiliary pension providers. This is something the insurance industry knows how to do well and has done quite successfully, in many cases far more successfully than the auxiliary funds have actually managed their own funds.

Of course more things should be done to provide incentives and encourage employers and individuals, to buy private pension plans.

**In terms of the future, what kinds of products could there be in the market that do not exist today?**

It is hard to tell, on the consumer side. I don't think we'll see a lot more sophisticated products coming in any time soon. What we are focusing on as an industry is higher penetration for existing products, except for auto, which is standardized and mandatory. So the emphasis is on increased penetration rather than product differentiation per se. On the corporate side, I would expect to see bigger take up of D & O, and Professional Liability insurance, which is very low, as well as Environmental Impairment insurance.

**So you see your future growth in Greece as being more corporate?**

It was more corporate-oriented until a few years ago; about three years back we ventured into the retail insurance market, where we had hitherto had only a small presence. It is a huge market and we believe we have the tools to penetrate it in a very profitable and differentiated way. The margins in the consumer lines market are really thin so you need to make sure that whatever you do, it is done in a way that safeguards not just the top, but the bottom line as well.

**The image of the insurance industry is not the best, often due to companies with bad practices. Do you feel this is going to change?**

It is up to the insurance industry to change the perception. There is no way you can change the public's perception unless you systematically start offering good services, proper payments, solid products, and continuity. So it is up to the insurance industry to self regulate itself and project a different image. I believe this perception is changing. From an institutional perspective, the Insurance Association is also trying to deploy "awareness" campaigns aimed at increasing the public's awareness and understanding of the value of private insurance.

**How can AIG as a company benefit from its cooperation with the Chamber?**

As a long-standing member of the Greek market, we actively participate in the business community's dialogue on current issues and we consider Chamber events as excellent business fora for such a dialogue.

Within this framework, we've decided to do an annual event in coordination with AMCHAM that is basically addressed to Chamber members and other business entities and is intended to revolve

around specific, topical business themes and highlight how private insurance can support corporate members in their business endeavors. We had one event last year focusing on Directors and Officers liability, a new area of exposure for Greek managers, directors and members of Boards; this year we are going to hold a further event, focusing primarily on environmental liabilities. At the same time, there is a new law regarding Societe Anonymes (AE) companies and we will try to integrate this into the theme of the conference.

**AIG Events in the Region:**

**Cricket match with Willis India on 17th of January.**

The Cup was named as WATA CUP (Willis & Tata AIG Cup). Two matches were played. First, a 16 over each side match in which best of the cricketing talent from both the sides played. We won this game and the Cup. Another 5 a side match was played between the Senior Management of both the companies. And our top management magnanimously lost it. So the Seniors Cup went to Willis. It was a great evening under floodlights where both sides displayed fantastic cricket on the shore of Arabian Sea. Around 70 people from both sides were present.





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**AIG Events in the Region:  
E-Marine Launched in Kuwait**



## AIG Events in the Region:

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### Turkey: Measures for pensions system to become effective

Turkish Daily News, 21 Feb 2008:

Labor Minister Faruk Çelik has announced that measures taken to end loses in the Turkish pensions sector will not come into effect until the beginning of September 2008. Draft legislation is currently being discussed in the parliament. The changes are scheduled to be carried out on 1 June 2008.

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[Link to original article](#) in English

### Greece: Five possible takeover targets for Sawiris

Naftemporiki, 26 Feb 2008:

According to press reports in Greece, the Greek banks FBBank, Aspis Bank, and Attikis Bank are the three main acquisition targets for the Egyptian telecoms tycoon Naguib Sawiris. More specifically, Sawiris has recently revealed that he is keen in acquiring a small-sized Greek bank, as part of his plans to expand further within the domestic mobile banking industry. The Egyptian tycoon is the owner of the Weather Investments Group, which owns the Greek mobile telephony services provider Wind Hellas and the fixed-line telephony firm Tellas. Apart from these three banks, the reports also suggest a possible deal with Millenium Bank, or even Geniki Bank, which was one of Sawiris' acquisition targets in the past.

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### UAE: Deutsche Bank to form global equity research unit

AME Info, 26 Feb 2008, Online:

To boost its global equities operations, Deutsche Bank will create a team of researchers that will focus on technical and company analysis. The unit will be based in UAE's Dubai International Financial Centre (DIFC). To be completely integrated into its global equity research team, the analysts will cover international stocks as well as those in the Gulf region. Deutsche Bank is headquartered in Germany.

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### Bahrain: Banks' domestic asset up 7.8% to US\$ 37.5bn

Gulf Daily News, 15 Feb 2008, Online:

The overall domestic assets in Bahrain's banking industry in October-December 2007 period rose 7.8% from US\$ 34.8bn (EUR 23.71bn) reported in July-September 2007 to US\$ 37.5bn, on the back of US\$ 208.3bn in foreign assets, which hiked 11% from US\$ 187.7bn. On the other hand, the consolidated balance sheet in the last quarter of 2007 grew 10.5% to US\$ 245.8bn, against the US\$ 222.5bn recorded in previous quarter. The figures were disclosed the Central Bank of Bahrain.

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### Qatar: Doha Bank and American Express sign agreements

AME Info, 21 Feb 2008, Online:

Qatar-based Doha Bank will be signing merchants on behalf of American Express following the forging of an External Sales Agreement by American Express Middle East and the bank. Apart from that, a POS Agreement to allow the acceptance of American Express Card at all Doha Banks' Point of Sale (POS) terminals has also been signed by both parties.

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### Turkey: KPEK to sell 2% stake in Sekerbank

Reporter, 20 Feb 2008:

Kayseri Pancar Ekincileri Koop (KPEK), which holds a 2% stake in the Turkish retail bank Sekerbank,

has announced that it is set to sell 2.449mn shares in one year, which account for 2% of the free float.

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#### **Turkey: Fortis enters Yapi Kredi credit card network**

L'Echo, 21 Feb 2008, Online:

Fortis Bank AS, Turkey's division of Belgian-Dutch insurance and banking firm Fortis, is becoming a member of World Card. This is a credit card programme established by Yapi Kredi, a joint venture between Italian bank UniCredit and Koc Holding of Turkey. Yapi Kredi is the leader of the Turkish credit card market. The 'Ideal' credit card from Fortis will give holders access to World Card services such as bonus points.

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[Link to original article](#) (subscription required) in French

#### **UAE: OHSAS 18001, ISO 14001 bagged by Sama Dubai**

Trade Arabia, 20 Feb 2008, Online:

In the United Arab Emirates (UAE), Dubai Holding's international real estate investment and development subsidiary Sama Dubai received OHSAS 18001 certification in Occupational Health and Safety Management System (OHSAS) and ISO 14001 certification in Environmental Management System. Global business assurance company Lloyd's Register Quality Assurance (LRQA) made the assessment of the UAE-based firm.

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#### **UAE: CrimsonLogic to develop 5-year eJustice programme**

Computerworld (Singapore), Feb 2008, Online:

A revolutionary eJustice programme will be operated and developed for the United Arab Emirates' (UAE) Ministry of Justice by Singapore-based CrimsonLogic. The contract for the programme has been clinched by CrimsonLogic, an eGovernment solutions provider. According to the country's Minister of Justice, Mohammed Bin Nekhaira Al Dhaheri, improved access to the Judiciary anywhere and anytime will be available to business and residents in the nation through electronic transactions that are more user-friendly once the programme is deployed.

An integrated platform will be operated and developed by CrimsonLogic under the term of agreement for the 5-year programme. The integrated platform will enable seamless document and case management, legal research as well as case filing. The Ministry's Information Technology (IT) initiatives and strategies will also managed and planned by CrimsonLogic.

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#### **Bahrain: Worksite accidents reach 89 in 2007**

Gulf Daily News, 20 Feb 2008, Online:

In Bahrain, total work accidents were recorded at 89 in 2007, up from 61 reported in 2006. Work related deaths, on the other hand, increased to 28 in 2007 from 19 deaths in 2006, revealed the Labour Ministry's Head of Occupational Safety Ali Abdulla Maki. The ministry has also inspected 2,164 worksites in 2007 across the country. Of the total places visited, 70% were found to violate safety regulations.

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#### **Turkey: Counterfeit market grows by four-fold**

Turkish Daily News, 22 Feb 2008:

According to a report prepared by the Brand Protection Group, Turkish trade in counterfeit and smuggled goods amount to US\$ 10bn ( EUR 6.81bn) a year. The report has revealed that the counterfeit market has grown by four-fold since 2001. CDs and DVDs represent 51% of counterfeit goods, while computer software account for 21%.

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#### **Qatar: GIS to float 86mn shares in QR 1.72bn IPO**

The Peninsula, 18 Feb 2008, Online:

Gulf International Services (GIS), which consists of Gulf Helicopter (GHC), Gulf Drilling International (GDI) and Al Koot Insurance & Reinsurance (Al Koot), will float an initial public offering (IPO) of 86mn shares in Qatar. HSBC Bank Middle East will manage the IPO, which is expected to bring in QR 1.72bn (US\$ 472.87mn EUR 321.94mn) for GIS. A total of 65.8% of the holding company will be owned by the public after the offering, while 4.2% will be held by certain institutions, and the remaining 30% by Qatar Petroleum (QP). The IPO will be launched on 28 February 2008.

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- 02.20.08 [AIG EXECUTIVE LIABILITY INTRODUCES PAPERLESS POLICIES FOR BROKERS AND CLIENTS](#)
- 02.20.08 [AIG TO REPORT FULL YEAR AND FOURTH QUARTER 2007 EARNINGS AND HOLD CONFERENCE CALL](#)